Austria	Sch. 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	NS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1500	S. Arabia	Rs 6.00
Canada	C$1.00	Japan	Y650	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	£L 25.00	Sweden	SKr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rm 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup. 15	Norway	NKr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

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Why Britain's view of Reagan's America has dimmed, Page 14

World news

Chad says Libyans killed hundreds

Chad said that Libyan forces had killed hundreds of people in an air and ground attack on three villages in the north of the country, using Soviet-made tanks as well as Tupolev and Sukhoi aircraft.

A statement from the office of President Hissene Habré accused the Libyans of launching an "uninterrupted bombardment of the localities of Gouro, Ounianga and Gourma" and added that survivors had fled into the mountains, facing hunger, thirst and cold.

Chad claimed recently that Libyan troops occupying its desert north were carrying out genocide against the local population.

Soweto bombings

Explosions caused by limpet mines damaged two bus depots in Soweto and dozens of buses were attacked by blacks in violence apparently caused by a 17.5 per cent increase in bus fares. Page 4

Dhaka democracy

Bangladesh returned to civilian democracy after 4½ years of military rule. President Hossain Ershad announced in Dhaka that he had lifted martial law and restored the constitution. Page 4

Opec battle looms

A battle is looming when the Organisation of Petroleum Exporting Countries (Opec) meets in Quito, Ecuador, on Friday to discuss Saudi Arabia's demand for an immediate return to a fixed rate of $18 per barrel. Page 4

Jerusalem arrests

A top-ranking Armenian clergyman and the senior Israeli government official responsible for Jerusalem have been arrested on charges of corruption and illegal possession of arms. Further arrests are expected. Page 4

Hindu pilgrims die

Thirty-one people were crushed or suffocated to death when pilgrims at a Hindu shrine in Uttar Pradesh panicked during an all-night procession.

Machel inquiry

Former US astronaut Frank Borman, ex-president of Eastern Airlines, will assist the South African government investigation into the airliner crash that killed President Samora Machel of Mozambique.

Icelandic attack

Iceland's only whaling station was reported heavily damaged in a sledgehammer attack a day after two vessels, half the country's whaling fleet, were sunk in an action claimed by an anti-whaling group.

Manila peace hitch

Philippine Government and communist negotiators argued for hours at a secret location in Manila but failed to agree on a ceasefire. They will try again in the next few days. Aquino wins aid, Page 4

Beggars' protest

Beggars in Sokoto, northern Nigeria, have decided to reject small coins from alms-givers as a protest against devaluation of the naira.

Spanish tomato row

Spanish farmers blocked traffic at the northern border crossing of La Junquera to protest against a French decision to stop tomato imports from Spain. More than 1,000 Spanish lorries were halted.

Sinatra operation

Singer Frank Sinatra, 70, was reported in good condition after a two-hour operation to remove an abcess from his large intestine. "There was no evidence of cancer," a hospital spokesman said.

Star jockey dies

Sir Gordon Richards, England's champion jockey 26 times, died at his home in Berkshire, aged 82.

Business summary

Unions bid for Eastern Air Lines

A COALITION of unions representing about 44,000 Eastern Air Lines employees yesterday offered to buy the troubled US carrier for $600m and filed a lawsuit seeking to block the sale of the company to Texas Air.

Mr Charles Bryan, head of the machinists' union at Eastern, said the $10.25 a share cash buy-out offer was "substantially superior" to the agreement reached between Eastern's management and Texas Air last February under which Texas would acquire Eastern for $10 a share in cash and securities.

INSTINET, US automated share dealing network, accepted an improved takeover bid from Reuters, international business information group and news agency, which values it at $102m. Page 20

RICOH, Japanese office equipment maker, incurred a 42.2 per cent fall in pre-tax profits to Y9.02bn ($55.3m) in the first half to September, which it blamed on a drop in export income and stiffened domestic competition. Page 23

LOUIS VUITTON, French upmarket luggage maker, offered six shares for every Veuve Clicquot share in its bid to control the champagne and perfume maker. Page 22

NAVISTAR INTERNATIONAL, US heavy truck group, said it would take a $66m charge against fourth-quarter earnings as a result of lower-than-expected dividends from its shares in Tenneco, the Houston conglomerate. Page 21

E F HUTTON, US brokerage firm which rebuffed a $1.6bn takeover offer by American Express, has reshuffled its management and appointed a Japanese institutional investor to its board. Page 21

BURROUGHS, US computer multinational which has merged with Sperry, will call the new corporation Unisys. Page 29

STANDARD OIL, British Petroleum's affiliate, unveiled a major refinancing of its balance sheet and arranged $5.5bn of borrowing facilities with a group of 45 international banks. Page 21

GOLD rose $1 to $410.75 on the London bullion market. It also rose in Zurich to $410.75 from $408.75. Page 38

In New York the December Comex settlement was $407.50.

STERLING closed at $1.4355 in London ($1.4260). It also rose to Y233.50 (Y232.50). Elsewhere it fell to DM 2.9375 (DM 2.9450); SFr 2.44 (SFr 2.4525); FFr 9.60 (FFr 9.6075). The pound's exchange rate index remained at 69.4. Page 39

DOLLAR fell in London to DM 2.0455 (DM 2.0650) and to Y162.75 (Y163.15). It also fell to SFr 1.6990 (SFr 1.72) and FFr 6.6875 (FFr 6.7375). On Bank of England figures the dollar's exchange rate index fell to 111.9 from 112.5. Page 39

WALL STREET: By 3pm the Dow Jones industrial average was up 0.98 at 1,887.51. Page 46

LONDON: Weakness in bonds reversed an initial improvement in the equity market. The FT-SE 100 index fell 6.4 to 1,656.2 and the FT Ordinary index closed 3.9 lower at 1,313.3. Page 46

TOKYO: Pharmaceuticals attracted buyers and helped lift the Nikkei average to its third consecutive gain. It closed 79.56 up at 17,053.20. Page 46

GENERAL MOTORS of South Africa closed its two Port Elizabeth plants as a strike by 2,000 workers entered its third week.

BANKAMERICA, troubled US bank, expects to shed $5bn-$6bn worth of assets and several non-essential businesses in the next six months in its struggle for survival. Page 21

USX is likely to conclude an interim truce with Mr Carl Icahn, New York investor who has been trying to take control of the troubled US steel and energy group. Page 21

Swiss accused by Bonn of Rhine poison negligence

BY OUR FOREIGN STAFF

SANDOZ, the Swiss chemicals company at the centre of a growing international storm over the stream of poisonous chemicals washed down the Rhine, was yesterday accused of negligence by the West German Government.

As a second wage of pollution drifted downstream in the wake of a fire at a Sandoz chemicals warehouse in Basle 10 days ago, it was announced that the matter will be debated in Brussels today at a regular meeting of EEC transport ministers.

In addition, the Swiss Government, stung by mounting criticism of its handling of the incident, has summoned environment ministers from five countries along the Rhine to a meeting in Zurich tomorrow.

Those attending the Zurich meeting will discuss the consequences of one of Europe's gravest environmental accidents in recent years. They are expected to consider compensation and ways of improving information on ecological accidents.

Invitations have been sent to ministers from West Germany, France, the Netherlands and Luxembourg, and to the EEC Commission, which has requested today's debate in Brussels by transport ministers.

Sandoz shares fell almost 10 per cent on the Zurich bourse yesterday as concern mounted over the consequences of the Rhine pollution. Sandoz bearer shares lost SFr 910 to close at SFr 9,950. On Friday the shares fell SFr 625. Share market report, Page 46, European reaction and analysis, Page 3

Tomorrow's Zurich meeting has been called at the behest of EEC member-states, including France and the Netherlands. It will be chaired by Mr Alphons Egli, president of the Swiss confederation, who said last night that the principle that "the polluter must pay" had been established in previous cases.

A Sandoz official said the company's legal advisers were studying the matter.

The Swiss have been facing a barrage of criticism from downriver states as a 50km to 60km slick of water carrying toxic chemicals swept down the Rhine last week, killing hundreds of thousands of fish and eels and raising doubts about the water supplies of riverside townships.

Yesterday, Mr Walter Wallmann, the West German Environment Minister, said he had evidence that Sandoz had been operating the chemicals warehouse illegally by failing to observe safety regulations.

Responding to growing public concern in West Germany, Mr Wallmann ordered an examination of safety requirements for German chemical companies. He also said the Government would back legal action to recover damages from the Swiss group.

The EEC environment ministers will meet after Mr Wallmann sees West German chemical industry representatives today to discuss possible tightening of regulations.

Mr Wallmann said the accident had caused "severe damage" to the ecology of the Rhine, and that Switzerland had at first under-estimated the consequences of the fire. The Basle authorities sounded an international alarm along the Rhine more than 40 hours after the fire broke out in the early hours of November 1. This was more than a day after the Bonn Environment Ministry had sent out an international warning over the accident.

German unions forced to buy back Neue Heimat

BY ANDREW FISHER IN FRANKFURT AND PETER BRUCE IN BONN

WEST GERMANY's banks yesterday forced the powerful trade union movement into a humiliating surrender by making it buy back debt-ridden Neue Heimat, the biggest housing concern in Western Europe, which it had sold to an unknown Berlin bakery owner for a nominal DM 1.

The banks, to whom most of Neue Heimat's DM 17bn ($8.3bn) of debts are owed, refused to accept last month's controversial sale of the concern to Mr Horst Schiesser. Their flat rejection came as a dramatic end to several hours of talks behind closed doors in a Frankfurt hotel.

Instead, the unions had to agree last night to take back Neue Heimat from Mr Schiesser, who failed to convince the creditor banks he was capable of saving the troubled company. Other property companies will also have a stake.

The affair has seriously tarnished the reputation of the country's 17 main trade unions and their umbrella body, the German Federation of Trade Unions (DGB), which represents 7m of Western Europe's most affluent workers.

It has also caused political damage to the opposition Social Democratic Party (SPD). Public concern over Neue Heimat's scandal-flecked past and the way the unions sought to sell off the company was a factor in the party's crushing defeat at the weekend in regional elections in Hamburg, where it had ruled for 30 years.

The unions' admission of defeat over Neue Heimat, which owns 190,000 homes, came in a brief statement by BGAG, their holding company. It said agreement had been reached with Mr Schiesser, who was locked in weekend talks with the banks, that he should sell back Neue Heimat.

No financial details were given in the statement, which was made in agreement with the banks. The 15 banks which are owed most money by Neue Heimat were represented at yesterday's meeting with the BGAG.

BGAG's statement last night said it would provide the same financial help – believed to be more than DM 1bn – to Neue Heimat that it had previously agreed

This will guarantee the ailing housing company's liquidity and resources for eventual debt repayment until at least the end of 1987. The DGB has owned Neue Heimat since the 1950s, but it has been an embarrassment in recent years because of corruption and losses.

C.H. Tung group creditors sign $2.6bn debt restructuring plan

BY DAVID DODWELL IN HONG KONG

THE 14-month battle to save C. H. Tung's Hong Kong-based ship-owning empire neared conclusion yesterday with many of the group's 160 main creditors signing an agreement for the restructuring debts of US$2.6bn.

Overshadowing the proceedings, however, was a writ issued before the weekend by Toyo Menka Kaisha of Japan, a trading group that is both a supplier of vessels to C. H. Tung, and a major creditor. The legal action against Tung, for the recovery of loans for $8.1m, could jeopardise the rescue effort if it is not resolved promptly.

Financial advisers to the Tung group – both the private group, and the the public arm, Orient Overseas (Holdings) – took the opportunity of yesterday's signing to launch a broadside attack on competing ship-owners who, they allege, orchestrated a rate-cutting war over the first half of this year that was aimed at crippling vulnerable operators like Tung.

The effort failed, advisers claimed, but not without leaving Orient Overseas – and many other shippers operating Pacific routes – with serious losses in 1985 and the first half of 1986.

Orient's operating loss for 1985 amounted to $6.2m. However, substantial provisions, and losses arising from the sale of vessels, increased the deficit to $544.2m.

In the first half of 1986 operating losses widened to $39.2m. A recovery in freight rates, lower bunkering costs, and a seasonal upsurge in demand has nevertheless brought the public group into profit over the last four months, advisers said.

As C.H. Tung, Hong Kong's second largest ship-owner, moved closer to rescue, the fate of Wah Kwong, the British territory's third largest ship-owner, remained in question. Wah Kwong foundered in January with debts of around $850m. Efforts to organise a rescue have been fraught with delay as various of the group's 46 main creditors have issued writs for the recovery of loans.

Wah Kwong too is at loggerheads with Toyo Menka. Observers suggest that the Japanese trading house is indulging in brinkmanship because if a rescue fails to materialise it fears it will lose the right to insurance cover guaranteed by the Ministry of International Trade and Industry (Miti) on aborted vessel sales to the two Hong Kong ship-owners.

Mr Geoff Garten, managing director of Shearson Lehman Brothers, financial advisers to the Tung private group, talked of yesterday's agreement as a milestone

On completition of the reconstruction, which is scheduled to become effective on December 19, C.H. Tung will comprise three major entities:

- Island Navigation, the holding company for vessel assets of the Tung private group, which will comprise bulkers and cargo carriers,
- Orient Overseas (Holdings), whose subsidiary Orient Overseas (International) will be the holding company for the vessel interests of the public group,
- Tung Holdings Trust, which will initially have a 75 per cent controlling interest in both Island Navigation and Orient Overseas on behalf of the group's creditors.

Morgan Grenfell chief quits over 'rules breach'

By David Lascelles in London

MR GEOFFREY COLLIER, a top executive in charge of the securities operations of Morgan Grenfell, one of the UK's leading merchant banks, resigned last night after it was discovered that he had breached company rules.

In a one-sentence statement, Morgan's securities subsidiary announced that "following his admitted breach of staff rules, Mr Collier has tendered his resignation as a director of that company and its affiliated companies, and that such resignation has been accepted with immediate effect."

Mr Collier was one of two senior international stockbrokers hired 18 months ago to build up Morgan's equity dealing and broking operation in preparation for the Big Bang. He was joint director of Morgan Grenfell Securities Holdings and a member of the management committee, and as such a key figure in Morgan's efforts to enter a new line of business.

Morgan declined to elaborate last night on the reasons for the resignation and Mr Collier could not be contacted for comment. However it is understood that Morgan has given the details of the case to the Bank of England and the authorities of the London Stock Exchange.

Mr Christopher Reeves, the chief executive of the Morgan Grenfell group, said: "Clearly Mr Collier breached staff rules. This is something we are not prepared to tolerate, however senior the man."

Mr Collier's departure comes only two weeks after the Big Bang – an event which triggered a major restructuring of the Uk securities industry and also gave rise to concerns about the City's ability to prevent abuses. These concerns were particularly acute in conglomerates like Morgan which combine the previously separated functions of stockbroker and market-maker and exposed themselves to possible conflicts of interest.

The resignation also comes as the new regulatory structure for the City, based on the principle of self-regulation, is being finalised in a new Financial Services Act and in the proposals put forward by the Securities and Investments Board.

The rules which Mr Collier admitted breaching were contained in a new compliance manual that was issued to Morgan Grenfell staff shortly before Big Bang. It was prepared under the direction of Mr George Law, a solicitor from the firm of Slaughter & May, who also helped set up an eight-person compliance department within the

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EEC members ban new arms sales to Syria

BY QUENTIN PEEL IN BRUSSELS

ELEVEN of the 12 EEC member states agreed yesterday to ban all new arms sales to Syria and to suspend high-level official contacts because of what they accepted was "Syrian involvement" in the attempted bombing of an Israeli airliner at London's Heathrow airport.

Only Greece refused to go along with the package of measures, arguing that they would lead to the isolation of Syria from European peace efforts in the Middle East, and a major change in policy.

The four-point package was designed to back Britain's decision to break diplomatic relations with Syria over the attempted bombing of the El Al airliner last April – an offence for which Jordanian Nezar Hindawi was sentenced to 45 years' prison last month.

However, it falls well short of the measures urged by Sir Geoffrey Howe, the British Foreign Secretary, at his abortive effort to get positive EEC action two weeks ago in Luxembourg.

Apart from the ban on new arms sales – which does not include completion of existing contracts – and the ban on high-level visits, the third action would simply "review the activities" of Syrian embassies and consular missions in the Community. The wording can clearly be interpreted in several ways.

The fourth action is to "review and tighten security precautions surrounding the operations of Syrian Arab Airlines.

Measures in the original British package included a reduction in the size and activities of Syrian embassies, tighter control of visa policies towards Syrian nationals and a commitment to respond to any Syrian retaliation.

There was differing enthusiasm for the action amongst the 12 member states.

At one extreme, Mr Theodoros Pangalos, the Greek Minister for European Affairs, refused to accept the British evidence linking the Syrian Government to the Hindawi affair. "I am not a detective," he declared.

Mr Jean-Bernard Raimond, the French Foreign Minister, also appeared equivocal about the degree of Syrian government involvement. "The text does not put any responsibility on the Syrian Government," he said after the talks. "It says that Syrians were involved."

"There are Syrian responsibilities in this affair, and the question is to

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Transcript damages Chirac's credibility

BY DAVID HOUSEGO IN PARIS

MR JACQUES Chirac, the French Prime Minister, faced further damage to his credibility yesterday as the Washington Times published in full the transcript of his off-the-record interview in which he was heavily critical of Britain's decision to break relations with Syria.

The publication came as hopes were rising that one or more of the eight French hostages held in Lebanon might be released. The Revolutionary Justice Organisation said it would free some of the hostages at 7.30 Beirut time last night (5.30 GMT), though the deadline passed without any such moves.

The initial Washington Times reports were greeted with flat denials from Mr Chirac who has been strengthening his grip as Prime Minister. Now it seems likely that his relations with the governments of Britain, West Germany, the US and Israel will be further complicated, and he could face political problems at home.

"I am really stupefied ... that a country like Great Britain should want to break off all relations with Syria because of an obscure bomb plot that did not come off ... Do they (the British) really think that people are going to say of them 'Bravo.' They've got guts?" the newspaper quoted him as saying.

The interview provides a powerful insight into the Prime Minister's thinking on Middle East problems. The thrust of his argument is that Western reprisals in the Middle East could unleash a tide of Islamic fundamentalism that will endanger the moderate Arab states on which the West depends.

"The first priority," he told Mr Arnaud de Borchgrave, the Editor of the Washington Times, "is to prevent anti-Western religious fanati-

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CONTENTS

Greece and US sign industry pact

BY ANDRIANA IERODIACONOU IN ATHENS

A GREEK-US defence industrial co-operation agreement, a spinoff of the 1983 agreement on the operation of the US military bases in Greece, was finally signed in Athens yesterday after a three-year delay, in time for a scheduled official visit to Washington next week by Mr Karolos Papoulias, the Greek Foreign Minister.

The agreement was signed for the US by Mr William Taft, deputy Defence Secretary. Mr Theodore Stathis, Defence Under-Secretary, signed for Greece.

It is part of a "step by step" approach to improving relations decided by the two sides during a visit to Athens last March by Mr George Shultz, the US Secretary of State. That visit marked a turning point in the attitude towards the US of the Greek Socialist Government which came to power in 1981 on an anti-American platform. This included an as yet unfulfilled pledge to close the four US military bases in Greece.

Washington hopes that better relations will ensure a renewal of the bases agreement when it expires in December 1988. The Greek Government has so far kept its options open on the matter, which is linked to US military aid. The subject is expected to be raised with Mr Papoulias during his Washington visit.

The defence industrial co-operation agreement is described in the 1983 bases accord as "a framework agreement designed to facilitate the achievement of the purposes" of Article 9. Under this article Greece and the US undertook to develop co-operation in weapons production, maintenance, research and procurement, to promote the mutual flow of defence procurement in order to achieve a balance in the exchanges between the two countries, and to ensure that acquisition of defence equipment is carried out on the most economical terms.

● Greece's current account deficit in the first nine months of 1986 reached $1.326bn, an improvement of 45.8 per cent compared to the deficit for the same period in 1985, according to the Bank of Greece. The target for the year is $1.7bn compared to a record $3.3bn in 1985.

The improvement was largely due to a $1.068bn saving on imported oil costs combined with a 27 per cent increase in tourism earnings, and a 60.7 per cent rise in European Community receipts, which reached $953m.

Non-oil import costs registered a 12 per cent increase, while export earnings rose by only 2.7 per cent. The authorities had hoped for a better performance given that the economic stabilisation measures introduced last year included a 15 per cent devaluation of the drachma and a compulsory import deposit scheme.

Madrid under fire over Spanish enclaves

BY DAVID WHITE IN MADRID

REVIVED TENSION over the status of Moslems living in Spain's North African enclaves of Ceuta and Melilla has exposed the country's Socialist Government to attack from the right for its strategy in trying to placate feelings.

The right-wing daily newspaper ABC yesterday said the Government had been "clumsy, weak and inexpert." It also accused Mr Aomar Mohamedi Dudu, the Moslem leader from the garrison town of Melilla, of "betrayal" and of being an agent of Morocco, which has territorial claims to the enclaves.

Mr Dudu, a 36-year-old economist who was appointed two months ago as the Government's adviser on Moslem affairs, has announced his intention of resigning at the demand of Melilla's Moslem community.

The Moslem minority complains that the authorities have failed to meet promises for the issue of Spanish nationality papers. A meeting in Melilla at the weekend approved a demand that Spain allow the Moslems to hold Moroccan and Spanish nationality.

Out of at least 17,000 Moslems in Melilla (this latest government figure is widely considered an underestimate), fewer than 5,000 currently hold Spanish nationality.

Following friction over a recent aliens' law, the authorities agreed on a special programme to ensure that the vast majority of Moslem residents should obtain either nationality or residence papers. Earlier documents known as "statistical cards," which gave the holder virtually no rights, are being phased out.

The Melilla Moslems are claiming 9,000 nationality papers and placed Mr Dudu's move to Madrid under the condition that between 3,000 and 4,000 of these should be ready by the end of the year. However, government authorities in the town have pleaded for time in order to satisfy the majority European population that the law is being respected.

John Wyles meets leader of Italy's biggest union

'Defensive phase' abandoned as CGIL chief rebuilds his troops

IS ANTONIO PIZZINATO one of the most powerful men in Italy, or one of the weakest in a position of power? After his first eight months as Secretary-General of Italy's largest union confederation, the communist-dominated CGIL, the answer remains elusive.

At the first encounter, he conveys an impression of physical power and determination which is oddly familiar. Then you realise that the tall lean body, the square jaw and the crewcut resemble the heroic figures on thousands of Soviet propaganda posters exemplifying the onward march of socialism.

Marxist principles have, he says, always been the basis of his culture. By 1948, he was already a 16-year-old Communist Party (PCI) activist. The Soviet Union, too, has not been unimportant, although his biographical notes teasingly say no more than "towards the end of the 1960s he took economic and sociology courses at a specialised institute in Moscow."

Critics say that he lacks the sophisticated and breadth of vision of his much-admired predecessor, Mr Luciano Lama, who nevertheless presided over a steady decline in the power and effectiveness of the 4m-strong CGIL from 1977 onwards.

Mr Pizzinato clearly sees his task as one of rebuilding as the Italian union movement emerges from what he calls its "defensive phase." For the CGIL, the most serious setback during the years of decline was the failure of its campaign against any watering down of the scala mobile wage indexation system.

Among other things, this failure was due to the then CGIL leadership, out of touch with its membership, allowing its tactics to be dictated by the PCI. Mr Pizzinato is too old a hand at Communist Party politics to advocate independence for trade unions—Italian society is far too politicised for that.

> Despite his tendency to ponder every question in all its aspects, Mr Pizzinato's image is not that of an intellectual, but of a granite-hard working class activist. He is proud of the support which he claims is coming from the rank and file.

Instead, his watchword is "autonomy."

"The unions must be autonomous in relation to employers and the political parties. They must have their own programme for social renewal, they must decide their objectives through negotiation, through political action and through social conflict," he argues.

Despite his tendency to ponder every question in all its aspects, Mr Pizzinato's image is not that of an intellectual, but of a granite-hard working-class activist. He had 8,000 Alfa Romeo workers cheering him to the skies last Friday with a calculatedly offensive hyperbole against Italy's largest private company. "Fascism did not fold us, we have struck against the Nazis and Fiat will not defeat us."

Such an implicit appeal to the glories of working-class struggle is not yet out of fashion in Italy. But is strike action appropriate in the 1980s when unemployment is still high and union membership static or falling? "We have to struggle to prove that we are not weak," says Mr Pizzinato.

In that case, the latest figures showing that working days lost through strikes are up by 50 per cent this year and doubled in September are pointing to a recovery of union strength. At the moment, triennial contracts covering more than 10m workers are under negotiation. Most of these contracts should have been dealt with 12 or 18 months ago but the unions were in too much disarray to cope.

Mr Pizzinato is proud of the support he claims is coming from the rank and file. Metal mechanics and chemical workers answered the call for one-day strikes in satisfactory numbers last month and many factories in the Brescia area were shut down by a 24-hour general strike.

A couple of weeks ago, 30,000 turned out for a demonstration in Bologna. "It is not easy to organise demonstrations on Saturdays," he points out.

He is equally proud of the preparation put into compiling this year's negotiating demands. Elaborate consultations with the members were, he says, "A new form of democracy" which has given the negotiators confidence that the troops are there to be called upon.

This is only one of many new reforms Mr Pizzinato would like to see, but which are slow to arrive because of bureaucratic obstacles within the CGIL. But the first and greatest priority is recruitment—within small- and medium-sized businesses where union membership is low and among the expanding numbers of "technologists." An effective strike these days, says Mr Pizzinato, must also be able to hit the brains of a company, which usually means its computer.

He shares the almost obsessive Italian dissatisfaction with the adequacy of the nation state in the late 20th century. Just as Italian political leaders are in the vanguard of demands for a more federal Europe, so Mr Pizzinato wants supranational unions to cope with multinationals and the emerging single internal market.

"We need unions with powers to call strikes and to negotiate contracts at a European level. Next year there is a union conference in Britain on industrial policy and I think that this could be the moment to consider what union policies should be at a European level. I don't mean just the EEC. Perhaps we should aim first at an agreement with the employers on a 35-hour week."

Is this being too ambitious, he asked. Perhaps, but the idea itself is a key admission that, whatever others think about the power he wields, he is not unaware of its limitations.

W German chemical industry setback

By Andrew Fisher in Frankfurt

WEST GERMANY'S chemical industry suffered a near 6 per cent drop in turnover in the first eight months of this year, with exports hit by the sharp fall in the dollar.

The chemical industry association said that exports were down by nearly 7 per cent—accounting for DM 49bn (£16bn) out of total January-August turnover of DM 94.8bn—with firm domestic demand not enough to offset the decline.

Mr Hans Albers, president of the association and chairman of BASF, said producer prices had fallen by around 5 per cent as a result of the collapse of the dollar against the D-mark and the fall in the price of oil.

"The year 1987 brings numerous uncertainties," he added. He expressed concern about the state of the US and Japanese economies, but did not expect the overall performance of the industry in West Germany to worsen further next year.

Speaking a few days after Hoechst, one of the big three West German companies in the industry, announced its $2.85bn offer for Celanese Corporation of the US, he said it was "absolutely necessary" that the West German chemical sector increased its commitment to North America.

Without steady investment in the US, the industry would not remain a significant branch of the West German economy, he added. BASF last year bought Inmont, a US maker of paints for the motor industry and printing inks, and Bayer is also thought to be seeking a major US acquisition.

Mr Albers said that West German chemical companies were continuing to invest heavily, despite the flat state of the industry. Spending on research and capital investment is set to rise by nearly 10 per cent this year to DM 16bn.

Profits will probably be similar to, or slightly lower than, those of 1985, he said. Hoechst has just announced world pre-tax profits for the nine months that were 2 per cent down at DM 2.3bn. Jobs, however, have been increasing in the industry, with an 11,000 rise so far this year to 565,000.

Comecon's leaders meet in Moscow

PARTY LEADERS from the 10-nation Communist trade group Comecon opened a summit in Moscow yesterday, according to the official Soviet news agency Tass, Reuter reports.

The brief announcement described the talks as a "working meeting." It did not give any indication of the agenda or duration of the summit, the first gathering of party chiefs since June 1984.

Western analysts expected the talks to focus on ways of spurring and further integrating their linked economies.

The summit follows last week's meeting of Comecon heads of government which called for better quality products and more streamlined trade procedures.

East European officials said Mr Mikhail Gorbachev could use the summit to brief his allies on his meeting with President Reagan in Iceland last month, although it was clear that Comecon economic issues were the formal reason for the meeting.

Albania sets out ambitious targets in five-year plan

BY LESLIE COLITT IN BERLIN

ALBANIA has set ambitious economic goals for the five-year plan ending in 1990 after achieving results which were 50 per cent lower than its growth targets in the last five-year plan.

The Albanian Communist Party congress, which ended last Saturday, adopted a plan which stipulated 35 to 37 per cent growth in national income (GNP minus services) up to 1990. This was 1 percentage point higher than the draft plan published earlier in the year.

Industrial production is to rise by 29 to 31 per cent, while agricultural output is to go up by 35-37 per cent. Real per capita income is set to increase by 7-9 per cent over the five year span.

Mr Ramiz Alia, First Secretary of the Albanian party since last year, said that priority would be given to the development of heavy industry but that consumer goods production would be "stepped up." Industry would receive 41 per cent of investments and agriculture 32 per cent. Farm output in the last plan rose by 13 per cent against a target of 31 per cent. The number of farm workers Mr Alia said, is to "increase considerably."

Albania's exports—mainly chrome and other metals, as well as oil and farm products—are to increase by 44-46 per cent. Chrome production by 1990 is to rise 36 per cent while tobacco output is to be almost doubled in order to occupy second place in exports.

Mr Alia gave no indication of the extent of changes envisioned in the country's previously rigid wage, price and financial policy. Wage incentives were recently introduced in the mining and oil industries and in agriculture to boost flagging output. Some state purchase prices for farm products were also increased.

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W Germans worry over long term harm to Rhine

BY DAVID MARSH IN BONN

THE mercury-laden chemical waste from the Swiss Sandoz chemical company which has drifted down the Rhine in the past few days, has been followed by a tide of public concern over long term ecological damage to a river with a special place in German hearts.

Mr Walter Wallmann, the Environment Minister, accused the Basle-based Sandoz chemicals group, responsible for two separate releases of pollution into the river, of illegally operating the chemicals warehouse where a fire broke out 10 days ago. This added to the picture of confusion and incompetence which as emerged over the Swiss authorities' initial handling of the disaster in the early hours of November 1.

The minister, who said yesterday that 500,000 fish and eels had died, gave a detailed rundown of events showing that Switzerland failed to warn neighbouring countries in time of the extent of the calamity.

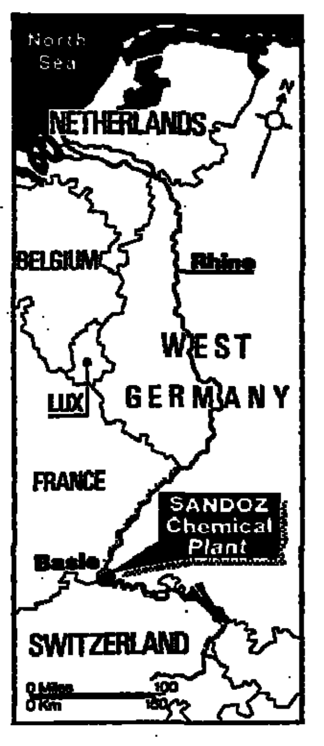
In the wake of the Chernobyl nuclear mishap in April, coinciding with a tide of anxiety over the effect of atmospheric pollution on trees and health, West German public opinion is one of the most sensitive in the world to environmental issues.

The opposition Social Democratic Party, has sought to put the blame both on Mr Wallmann and Sandoz for failing to take the fire seriously enough. Mr Willy Brandt, the SPD chairman, labelled the incident "Bhopal on the Rhine."

However, it became clear yesterday that individual German states along the Rhine had taken necessary precautions to safeguard water supplies. Mr Wallmann said it was to early to say how long pumping stations along the Rhine which siphon off water for municipal supplies would remain closed, but he ruled out any general shortages.

He also said tests on whether mercury wastes had sunk into the water table had so far proven negative.

A more worrying question surrounds long-term effects on river life. Mr Weiser Glueck, Environment Minister in Baden Wuerttemberg, who travelled to Switzerland yesterday for early contacts with Sandoz about compensation, called the affair the greatest ever environmental catastrophe to hit the Rhine.



Sandoz warehouse met Swiss safety rules

BY WILLIAM DULLFORCE IN GENEVA

THE CAUSE of the fire is still not known. It broke out in a store containing 1,246 tonnes of chemicals, mostly insecticides, at the Sandoz factory just outside Basle on November 1.

Chemicals caught up in the water used by firemen to fight the blaze caused the pollution to the Rhine. Chemists have still not determined the exact nature of the chemicals washed into the river but a substantial quantity of mercury is thought to have been among them.

Criticism from abroad and from local ecologists has centred on the alleged inadequacies of the warehouse and on the delay in sounding the alarm in neighbouring France and West Germany.

Sandoz obtained permission in 1978 from 10 responsible authorities to use the warehouse, originally built for machinery, as a store for chemicals. Swiss regulations were met but the store contained no automatic heat sensors, no sprinklers and no separate provision for drainage of water

Under Swiss regulations safety is primarily the responsibility of the company but Mr Hans Hauri, head of the Federal Office for the Protection of the Environment, said yesterday that rules would be tightened

Dutch urge stronger controls

By Laura Raun in Amsterdam

WATER IS the Netherlands' lifeblood, a natural resource so valuable that great care is taken to avoid its pollution and clean up its wastes. A tenth of the country's surface is covered by water in three major rivers—the Rhine, Maas and Scheldt—and a huge network of canals.

The industries of inland shipping, ports, fishing and recreation thrive on the extensive web of waterways, while 70 per cent of fresh water for drinking and agriculture, among other things, comes from the Rhine.

The Dutch have some of the most stringent anti-pollution regulations in the EEC and have long urged partners to follow suit. The Hague is a firm supporter of the international Rhine commission, which was established in 1950 by the five countries along the river to protect it

The Rhine is of particular concern to the Dutch because the river's mouth forms the harbour for Rotterdam. Each year 10m cubic metres of polluted silt wash downstream and settle on the bottom of Rotterdam harbour, requiring constant dredging and disposal.

Last June an official Dutch delegation visited West Germany to plead for better controls on contaminants

Britain presses hard for greater airline competition in EEC

BY TIM DICKSON IN BRUSSELS

NEGOTIATIONS ON a key package of measures to stimulate more competition among European airlines were delicately poised in Brussels last night.

Mr John Moore, Britain's Transport Minister and chairman of the EEC Transport Council, was pushing hard to reach agreement on proposals which Britain claims represent a "worthwhile" first step towards liberalisation.

As the meeting got under way, however, it was clear that there had been some backtracking by member states which had previously expressed enthusiasm for Britain's ideas on capacity sharing, greater access to established markets for new airlines, and lower discount fares.

Agreement was soon reached on the highly technical question of how an arbitrator might rule on predatory pricing in a more liberal climate for fares.

But discussion on the big issues of more access to new routes and the cosy airline arrangements for splitting up seats on a bilateral basis were making little progress.

France and West Germany, whose earlier commitment towards the British proposals

Moore: "worthwhile step"

appeared to have waned, were reported to be moving back into line. Greece, Spain and Italy were continuing to oppose many of the reforms.

Britain's Aviation Minister, Mr Michael Spicer, rejected claims for consumer groups that the UK compromise represents a "sell out" to the airlines but insisted that the ideas now on the table were Britain's "bottom line."

He was not sure whether those who continued to raise objections were "obstructing or genuinely negotiating." He added: "We are reaching a crunch point."

Moscow hits at talks with Shultz

By Patrick Cockburn in Moscow

Mr Eduard Shevardnadze, the Soviet Foreign Minister, yesterday described his meeting with Mr George Shultz, his US counterpart, in Vienna as "a theatre of the absurd" and said the US had completely backed away from accords agreed at the Reykjavik summit.

Mr Shultz had returned to differences and difficulties which the Soviet Union believed were settled by President Ronald Reagan and Mr Mikhail Gorbachev during the two-day summit in Iceland last month, he declared.

Moscow now appears to have decided that, despite Reykjavik, there is little real chance of reaching an agreement with the US while Mr Reagan is in office.

The main theme of Mr Shevardnadze's statement was that the US had not used the Reykjavik agreement as the basis for its negotiating position in the Geneva negotiations or at Vienna.

Mr Shevardnadze also underlined that if the US committed itself to a guarantee not to break out of the anti-ballistic missile treaty for 10 years, it would be allowed to test President Reagan's Strategic Defence Initiative within the laboratory, including mock-ups and models. Only testing in space would be ruled out.

Legal position clear in claims for compensation

BY A. H. HERMANN, LEGAL CORRESPONDENT

IF TAKEN to court, claims for compensation for damage caused by the Sandoz accident and subsequent pollution of the Rhine should prove a rich source of business for international lawyers without requiring them to solve any particularly difficult legal problems.

The main principle according to which claims for damages can be decided by international or national courts as well as the determination of jurisdiction, were surveyed and re-affirmed in two European Court judgments in 1976 and 1979.

By contrast the Convention on the Protection of the Rhine against Chemical Pollution concluded in 1976 between West Germany, France, Luxembourg, the Netherlands, Switzerland and the European Community, has nothing to say on the settlement of such claims.

In the Rhine Water case No. 21/76, the European Court held on November 30 1976 that according to the 1968 Brussels Convention on Jurisdiction, of which Switzerland is not a signatory, a plaintiff has an option to sue either in the country where the damage occurred or in the place where the event leading to the pollution took place.

In its second Rhine Water judgment (case 3789/77) of 8 January 1979, the court went much deeper into the matter. It established first that claims can be brought only by those who suffered damage and not by bodies whose function is to promote environmental purity.

With reference to the above-mentioned Conventions, the Court ruled that the existence of international treaties regulating pollution and consequently allowing a certain degree of it, does not affect private rights of action under the ordinary rules of private international law.

Dealing with the question of applicable law, the court said that in the absence of special treaty provisions, or of special rules of international customary law, a national court should go by rules of international law derived from treaties, international custom and practice, general principles of law recognised by civilised nations, and teaching of outstanding international lawyers.

It followed from these sources that the basic principle of international law applicable to this case was that everyone should behave so as not to cause damage to others, and was liable in damages if violating this legal duty.

Discharge of toxic waste into an international river, said the court, constituted a violation of this general principle and created an obligation on the polluter to compensate for the damage caused. Private persons, no less than states, were bound by this rule of international law, and the national courts before which the claims were brought were bound to apply it.

SPD poll defeat raises question of Greens link

BY DAVID MARSH

THE CRUSHING defeat suffered by West Germany's opposition Social Democratic Party (SPD) in the Hamburg elections on Sunday has raised again speculation whether the party could form a partnership with the Greens anti-nuclear grouping after general elections in January.

Mr Johannes Rau, the SPD's candidate for the Chancellorship in January, has firmly forsworn any coalition with the Greens—a view backed up recently by Mr Willy Brandt, the SPD party chairman.

However, following the SPD's collapse in its Hamburg stronghold against the conservative Christian Democratic Union (CDU), Mr Brandt said the party would have to think about a new strategy to prevent the CDU and its Christian Social Union (CSU) sister-party winning a majority in January.

A change of SPD tactics in the election campaign was signalled yesterday at a meeting of the party's executive committee in Bonn.

Party officials said the SPD had now given up its previously proclaimed goal of winning an absolute majority in the January poll.

This means that, if it wants to keep alive a chance of forming a government after January, the SPD is now on the look-out for possible coalition partners.

Final returns in the polling in Hamburg, where the SPD has governed for 30 years, gave the SPD 41.8 per cent of the vote, down from 51.3 per cent at the last city-state election in December 1982.

The CDU climbed to 41.9 per cent from 38.6 per cent, winning a majority of one seat over the SPD in the Hamburg parliament. The Greens boosted their share of the vote to 10.4 per cent from 6.8 per cent.

Mr Rau, who has stuck to the belief that the SPD could "rule" alone in Bonn after the January elections, has now had to revise his ambitions with still more than two months to polling day.

Since a coalition with the Free Democratic Party (FDP), the junior partner in the present Bonn coalition, appears unlikely for the SPD, their only possible partner would be the Greens.

The ecology party has picked up significant support in recent months, above all in big cities.

But any question of an alliance with the Greens, apart from carrying the personal anathema of Mr Rau, would play into the hands of the CDU and CSU.

Right-wing leaders have warned middle-ground voters against backing the SPD because, they claim, this would support the Greens' radical economic and defence policies.

AMERICAN NEWS

Shultz to stay despite row over Iran arms deal claims

BY STEWART FLEMING, US EDITOR IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, has denied that he is planning to resign as a result of the controversy over allegations that the US has supplied arms to Iran in return for the release of American hostages.

Asked by reporters on Sunday night if he would resign, Mr Shultz said curtly: "No."

Mr Shultz is said to be disturbed by the alleged White House undercover operation to supply US arms to Iran, apparently with Israel acting as an intermediary. The covert operation undercut the strong stance Mr Shultz has taken on not negotiating with terrorists or with states supporting terrorism.

The State Department has found itself in the embarrassing position of pressuring its allies to follow a similar tough line on terrorism and of assuring Arab countries that it would not supply weapons to Iran, at the same time as the White House has been doing the opposite.

Senator Richard Lugar, chairman of the Foreign Relations Committee, said after meeting Mr Shultz that the Secretary of State "does not know a great deal about the events."

The White House has sought to dampen down the controversy over its dealings with Iran by refusing to comment on its activities on the grounds that this would jeopardise the lives of the remaining hostages. Mr Donald Regan, the White House Chief of Staff, has said that it will not report to Congress or the nation on the question until all hostages are free.

The issue is unlikely to die down however. Leading members of the Democratic Party have made it clear that they intend to schedule hearings into what they argue are far-reaching domestic and foreign policy issues raised by the covert White House operations.

Senator Robert Byrd is one of several Democrats who have accused the White House of trying to circumvent legally mandated requirements that the Administration report to Congress on foreign policy issues by conducting them out of the White House. He has asked whether the National Security Adviser ought to become an official whose appointment is subject to Senate confirmation.

Representative Richard Gephardt, chairman of the House Democratic caucus, has argued that the White House is not properly staffed to run foreign policy. And Senator Sam Nunn has said that Congress will question the decision-making

White House chief expects 3% growth in US

WHITE HOUSE Chief of Staff Donald Regan said yesterday that US gross national product in 1986 would grow by 2.5 to 3 per cent, below Administration projections, Reuter reports from Washington.

The Administration's latest official forecast is for 3.2 per cent GNP growth between the fourth quarter of 1985 and the fourth quarter of 1986.

Mr Regan said the US was "probably over the peak as far as the huge trade deficits." He said a $40bn drop in the trade deficit could be achieved next year and would add one percentage point to GNP growth, boosting it to 4 from 3 per cent.

The US trade imbalance cut between 1 and 1.5 percentage points off 1986 US GNP growth, he said.

Mr Regan agreed that the devaluation of the dollar has helped turn around the US trade deficit, but said without explaining that recent dollar gains have been "helpful."

Montreal ruling party ousted in landslide

MONTREAL Mayor Jean Drapeau's civic party was virtually wiped out in the city election, ending the charismatic leader's 32-year domination of city politics, AP reports from Toronto.

Mr Jean Dore, head of the Montreal Citizens' Movement, was elected Mayor of Canada's second largest city to replace Mr Drapeau, taking 67 per cent of the vote.

Mr Dore, a 41-year-old labour lawyer, campaigned on a populist platform, promising to reverse the autocratic style of Mr Drapeau. He will be sworn in next week.

Mr Drapeau, 70, did not stand. His handpicked successor in the civic party, 54-year-old engineer Mr Claude Dupras, had trailed in opinion polls ever since Mr Drapeau announced he would not seek a ninth term.

Mr Dore's left-of-centre party took 55 of the 58 seats on the City Council. The remaining seats went to the Civic Party, the Democratic Alliance, and an independent candidate. Before the election, the Civic Party held 40 seats.

Mr Drapeau had been Mayor of Montreal for 29 of the past 32 years.

Ivo Dawnay tries to penetrate a dense political thicket

Rebellion stirs in Surinam's forests

AN EERIE ECHO of Macbeth hangs about the isolated figure of Commander Desi Bouterse, absolute ruler of the tiny South American state of Surinam.

After five years of strutting the small local stage provided by 400,000 people in what was formerly Dutch Guyana, the Commander's career has now moved into a distinctly fretful phase. Not far from the peeling clapboard building of Paramaribo, his riverside capital, the inhabitants of Surinam's tropical forests are on the move, in support of a guerrilla rebellion.

Within the city, indications abound of a society falling apart. As supermarket shelves and Government reserves empty, the morgue is filling up with the victims of mysterious death squads. This month most foreign airlines abandoned their flights to the country, and even Surinam's Airways's two 707s are forced to shelter at night for safety in foreign airports.

The five-year state of emergency, lifted by the Government last spring as symbolic evidence of a return to normality, has been replaced by a state of siege imposed by the rebels.

If Mr Bouterse's predicament has a vaguely Shakespearian air, his enemy belongs more to the pages of an Amsterdam guidebook. Mr Ronnie Brunswijk, 25, leader of the uprising, is just the kind of Surinamese tearaway one is advised to avoid in the Dutch capital's main square.

Mr Brunswijk, formerly the commander's bodyguard and sometime chauffeur, claims that his motives are to avenge the humiliations he suffered in his former job, restore democracy

SURINAM YESTERDAY began issuing new banknotes in an effort to force the return of an estimated Surinam guilders 150m ($83m) deposited abroad, Reuter reports from Paramaribo.

The replacement of the banknotes was termed an "urgent necessity" by the Government in view of the large amount of Surinamese guilders which, although not convertible into other currencies, are illegally deposited abroad.

According to official estimates, about Surinam guilders 460m are now in circulation.

and incidentally, to win a scholarship to a Dutch university.

Between these two men of action sit the people of Surinam—a racial pot pourri bizarre even by Latin America's exacting standards. About 130,000 East Indians (both Hindu and Moslem) co-exist with 80,000 Afro-European creoles and a mixed bag of Javanese, Chinese, Lebanese and Jews.

Additionally, 50,000 "bush negroes," descended from four tribes of escaped slaves, have lived free in the forests for some 200 years—and are now fighting for their right to continue to do so with the help of Mr Brunswijk.

Until independence in 1975, this racial timebomb was successfully defused by an aid-supported and a strong economic base supported by revenue from bauxite resources.

Even after the Surinamers somewhat hesitantly accepted their freedom, a $1.7bn 10-year aid package from the Netherlands allowed the country a per capita gross domestic product of about $3,700—the highest in the continent. Many now argue that it was the Dutch kindness that killed democracy.

In February 1980, 16 dissident non-commissioned officers, thwarted in their attempts to found an army trade union, launched the coup that put Mr Bouterse in power. As one witness put it last week: "They only wanted a candy bar, but they ended up with the store."

Others dissatisfied with their share of the economic cake at first enthusiastically backed the takeover. But growing industrial militancy, a halving of bauxite earnings from a 1980 high of $60m and the Government's penchant for half-digested Marxist rhetoric, quickly led to vociferous dissent.

In December 1982, just two months after a visit by Mr Maurice Bishop, Grenada's ill-fated leader, Mr Bouterse adopted a military solution to his political problem, rounding up and shooting 15 prominent opponents. His gesture traumatised the population, cut all Dutch aid and turned the commander into an international pariah.

As the middle classes cowered behind closed doors, the Government appealed to the revolutionary left for support, but its brief flirtation with the Cubans ended rapidly. A brutally frank Brazilian military mission demanded and won their expulsion as the price for an $18m arms package and a quiet life.

Today, Mr Bouterse is almost alone. Of the 16 non-commissioned officers who led the coup, only two remain in key positions. The others have died in counter-coups, met with accidents or, in the case of his Banquo-like closest friend, Mr Roy Horb, inexplicably "committed suicide."

Despite universal unpopularity, the commander succeeded earlier this year in knitting together a loose coalition of interests to set about writing a new constitution, which would allow elections next year.

But the emergence of Mr Brunswijk suggests that this approach may have come too late.

Both sides claim Lima poll win

By Barbara Durr in Lima

THE RULING APRA (American Popular Revolutionary Alliance) Party and the United Left Coalition have both claimed victory in Lima's photo-finish municipal election.

In unofficial results, APRA candidate Jorge Del Castillo polled approximately 34 per cent of the vote, while the incumbent, Mr Alfonso Barrantes Lingan, Peru's first Marxist Mayor and also leader of the United Left, trailed by less than two points.

But these percentages were disputed by the United Left, which said by its count Mr Barrantes led by three points.

Lima, where one third of Peru's population is concentrated, is considered the country's key political contest. If Mr Del Castillo wins it will be a remarkable national triumph for President Alan Garcia and his APRA Party.

Countrywide, APRA was not only holding onto its traditional cities in the north but was unexpectedly toppling strong United Left candidates in the south.

The right wing candidate in Lima, Luis Bedoya Reyes of the Popular Christian Party, went down in defeat, winning only 26 per cent of the votes by unofficial results.

Contra chief predicts breakthrough in war

BY OUR BUENOS AIRES CORRESPONDENT

ONE OF THE leaders of the US-backed Contra rebels in Nicaragua yesterday forecast a breakthrough in the war against the Sandinista government.

In an interview in a respected daily newspaper in Buenos Aires, Dr Arturo Cruz, one of the three leaders of the Unified Nicaraguan Opposition (UNO), said: "A military success by the rebel groups should be expected in the short term. It will not be the total and definitive success against the Managua regime, but it will imply a turn-around in the course of the war."

He said he did not expect immediate direct US military intervention now, but it could be provoked through the conflict spreading throughout the region, although it would not be with troops but with logistical support, air cover and a naval blockade.

Mr Cruz's comments reinforce recent reports from Costa Rica, citing high-level Costa Rican government sources, that a full-scale war in Nicaragua is imminent. The scenario painted is one of US surgical air strikes against key military targets in Nicaragua backed by a naval blockade, to support a forthcoming Contra offensive.

The guerrillas' objective would be to capture some Nicaraguan territory and to proclaim a provisional government which would then receive the official recognition and military support of the US.

The Contra forces are thought to have begun receiving the US$100m in military and logistic aid recently approved by Congress, which is expected to improve the offensive capacity of the estimated 15,000-strong guerrilla army.

At a military parade in Managua last week the Nicaraguan President, Daniel Ortega, warned that the danger of direct US military involvement in the war was now greater than ever.

It is thought that a major military success—which has eluded the Contras despite six years of fighting and US backing—is now considered essential if the US Congress is to continue its support in 1987, especially now that the Democrats control both the Senate and House of Representatives.

Democrat leaders have persistently criticised President Reagan's policy in Central America and have attempted to block his requests for aid for the Contras.

Military experts in the region have long estimated that the Contras are incapable of defeating the Sandinistas, and that only direct US military involvement would shift the balance.

Uruguay heads for crisis election

BY TIM COONE IN BUENOS AIRES

URUGUAY'S simmering political crisis is set to come to a head this week, with an attempt by President Julio Sanguinetti of the ruling Colorado Party to dissolve parliament and call new elections.

President Sanguinetti met government and party leaders last week to discuss the move, while opposition leaders met at the weekend to consider a response.

The crisis has been brewing since August when the two main opposition parties, the National Party and the Frente Amplio, overturned a government proposal to grant an amnesty to former military leaders who ruled Uruguay from 1973 to 1985.

According to a parliamentary report, 61 of these leaders helped organise a repressive security system under which 164 people disappeared, more than 2,000 political prisoners were tortured and tens of thousands of political opponents were imprisoned during the years of the military dictatorship. Many others fled into exile.

The military justified its action as necessary to eliminate the left-wing Tupamaros guerrillas.

President Sanguinetti's party, which holds only 14 of the 30 seats in the Senate and 41 of the 99 seats in the Chamber of Deputies, has been unable to raise sufficient support for its amnesty bill.

An alternative proposal by the National Party for a restricted amnesty, limiting human rights trials to only 38 of the military commanders, and excluding torture cases, was also thrown out because of opposition by the Colorado Party and by the left-wing opponents, the Frente Amplio.

The issue has been further complicated by a declaration at the beginning of October by the 19 retired generals, several of whom were in charge of the repressive campaign. They warned of "serious risks" if the trials went ahead and if the president's proposed amnesty were not approved.

Trinidad calls general election

By Lindsay MacKoon in Port of Spain

THE GOVERNMENT of Trinidad and Tobago, which is facing its most serious political challenge in its 30-year rule, has called a general election on December 15.

After months of speculation, Mr George Chambers, the Prime Minister, announced the election at a rally of his People's National Movement party in Woodford Square at which he introduced the party's candidates for the 36-seat House of Representatives.

Fielding 18 new faces, including eight women, the PNM is facing a coalition of four opposition parties headed by Mr Ray Robinson, a former PNM Finance Minister.

OVERSEAS NEWS

Corruption scandal breaks out in Jerusalem

BY ANDREW WHITLEY IN JERUSALEM

A TOP-RANKING Armenian clergyman and the senior Israeli government official responsible for Jerusalem have been arrested on charges of corruption and illegal possession of weapons.

Further arrests of leading figures are expected.

The clergyman's name has been withheld from publication in Israel by court order but, according to Armenian sources, he is Archbishop Shahe Adjemian, a wealthy and highly influential man close to Mr Teddy Kollek, Jerusalem's long-serving mayor.

The government official, whom the Archbishop is accused of bribing over several years, is Mr Rafi Levy, for many years District Commissioner for Jerusalem, and, as such, well placed to provide information and services badly needed in the occupied West Bank region.

Mr Levy is accused of providing to mutual friends of his and the Archbishop among West Bank Arabs false Israeli identity cards, gun permits and valuable special car licence plates. These white plates allow unhindered access back and forth across the Allenby Bridge into Jordan — and thus have great use for anyone wanting to smuggle goods across the border.

According to intelligence sources, the Shin Bet, Israel's internal intelligence agency, is furious with police for blundering into one of its own long-running operations in the occupied territories in which the Archbishop appears to have been a key figure.

Archbishop Adjemian, who holds dual Iranian and Jordanian nationality, was formally expelled from the Armenian Orthodox Patriarchy in Jerusalem in 1982 for "financial irregularities."

Before then, as the "chancellor" of the Armenian Church, one of three entrusted with guarding the Christian Holy Places, he had been responsible for their extensive landholdings.

What services Mr Adjemian provided Israeli intelligence are in dispute. But it is established that he was a regular traveller across the Jordan River, one of the small number of foreigners known to be the main couriers of smuggled gold and currency flowing into Israel and the occupied territories from Jordan and further afield.

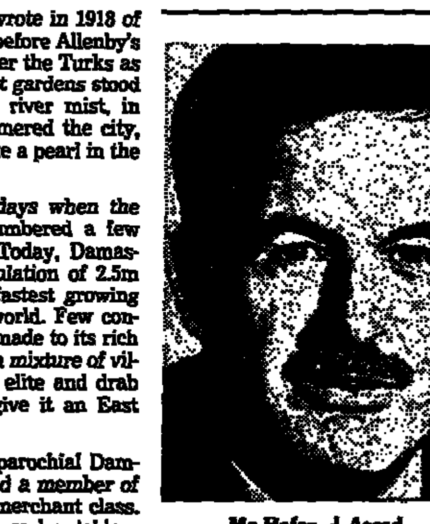
Behind the official screen of an elegant capital, people who speak their minds

The changing face of Damascus

T. E. LAWRENCE wrote in 1918 of Damascus as it lay before Allenby's conquering army over the Turks as a place where "silent gardens stood blurred green with river mist, in whose setting shimmered the city, beautiful as ever, like a pearl in the morning sun."

Those were the days when the city's population numbered a few tens of thousands. Today, Damascus supports a population of 2.5m and is one of the fastest growing cities in the Arab world. Few concessions have been made to its rich Levantine past and a mixture of villas occupied by the elite and drab apartment houses give it an East European look.

"It's sad that old parochial Damascus has gone," said a member of the once dominant merchant class. "So many strangers and outsiders have flowed in."



Mr Hafez el-Assad

'Damascus these days is not one but two cities, old and new,' writes Tony Walker, recently in Syria. 'It is also a place that operates on several distinct levels. The official face, personified by a pervasive security apparatus, can at first seem intimidating. Little attempt is made to mask the presence on the street or in hotel lobbies of a seemingly vast bureaucracy of watchers and informants, contributing to a generally furtive atmosphere… A dense and impenetrable government apparatus has spawned a claque of "fixer" – middlemen who have developed their own avenues to power centres. These, in some ways, are the agents of the "new class," who are seen as stylish with a touch of vulgarity.'

Among those considered interlopers by older Damascenes are representatives of the Alawi tribe from the country's rugged north-west, who now dominate Syria's political and military institutions.

President Hafez al-Assad, chief of the clan, is making his own mark on a city that some claim is the oldest continuously inhabited human settlement in the world. A huge palace is being built on a prominent hill overlooking Damascus.

This impressive modernist building in grey concrete is no doubt designed with permanence in mind. A symbol, perhaps, of Alawite hegemony. Syria has fallen prey over years to an odd mixture of despots, including Tamerlane, whose Mongol armies devasted Damacus and Aleppo in 1400 AD.

The history of the Great Mosque of Damascus, one of the masterpieces of the Arab world with its fine mosaics and sublime proportions, reflects the city's turbulent past. Tamerlane is said to have burned the mosque with 30,000 men, women and children inside and it has been reconstructed several times since.

Damascus these days is not one, but two cities, old and new. It is also a place that operates on several distinct levels. The official face, personified by a pervasive security apparatus, can at first seem intimidating. Little attempt is made to mask the presence on the street or in hotel lobbies of a seemingly vast bureaucracy of watchers and informants, contributing to a generally furtive atmosphere.

But at another level – behind the official screen – Damascus in its older sections is still perhaps the most elegant Arab capital. Damascenes are willing to express controversial views critical of the Government. They care about their city, its cultural and archeological heritage.

Groups have been formed to protect what is left and restore what has been damaged. "So many of our architectural monuments and archaeological relics have been either transformed or disfigured by one means or another," complained an old Damascus resident.

The Government says it is doing its best to protect the city's rich heritage, which includes sites sacred to Christians and Moslems. More care, it is said, is being taken in classifying areas of historical significance. Building permits in sensitive locations are being subjected to closer scrutiny.

Old Damascenes grumble that the "new class" lacks an appreciation of the city's more cosmopolitan traditions. It was not so long ago, during the French mandate which ended in 1946, that Damascus was a centre of Levantine culture and fine cuisine.

Damascus's best families sent their children to France to be educated, and senior levels of the bureaucracy still include the odd Sorbonne graduate. Old money, however, has been forced to make way for new realities. One of those realities, it seems, is that power in modern-day Syria is money.

A dense and sometimes impenetrable government apparatus has spawned a claque of "fixer" – middlemen who have developed their own avenues to power centres. These in some ways are the agents of the "new class," who are seen as stylish with a touch of vulgarity.

"There used to be a well established merchant class representing good families," said a Damascene intellectual sitting in his study in his comfortable house in fashionable Abu Rummaneh. "But we now feel that the old hierarchies have been either diluted or turned upside down."

Opec battle looms on Saudi price demand

By Richard Johns

CHIEF delegates of Iran and Venezuela are to participate in the Organisation of Petroleum Exporting Countries' ministerial committee meeting on pricing starting in Quito, Ecuador, on Friday. It has been called to discuss Saudi Arabia's demand for an immediate return of a fixed rate of $18 a barrel.

Iran is in favour of maximising receipts per barrel as soon as possible but Venezuela is sceptical.

Kuwait, whose Oil Minister, Sheikh Ali Khalifa al Sabah, chairs the three-man ministerial committee, is expected to back the Saudi position spelt out last month at the close of the marathon Opec conference in Geneva.

The call for a return to a fixed price system by the beginning of 1987 led to the dismissal of Sheikh Ahmed Zaki Yamani, the Saudi chief delegate, who was known to be doubtful about the feasibility of such a strategy.

Libya, another member of the committee, is known to want a fixed price of $20 per barrel. Ecuador is less committed to a policy of price maximisation.

The Venezuelan view, shared by the majority of Opec experts, is that a new reference cannot be established unless the 13-member group is prepared to become the "swing" supplier of oil again and to accept a collective rate of output lower than the volume of just over 17m barrels a day agreed in Geneva under the revision of its interim accord on production sharing.

Mines destroy Soweto bus ticket offices

BY ANTHONY ROBINSON IN JOHANNESBURG

TWO LIMPET mines destroyed Putco Bus Company ticket offices in the black township of Soweto, South Africa, yesterday in the latest incidence of violence sparked by a 17.5 per cent fares rise introduced on November 1.

The higher fares were approved by the Government to cover higher operating costs, but have been received angrily in Soweto and other townships which rely on the company's 3,000-strong fleet of grey-blue buses for transport in the townships and to jobs in white areas.

Dozens of buses have been stoned and thousands of black commuters have boycotted the service and squeezed into overcrowded black-run mini-buses, many of them run by unlicensed operators.

Tension rose further last week when an 11-year-old youth was shot dead and four others injured when unidentified whites fired on a group of youths from a moving Putco bus, later found to have been hi-jacked.

The company, quoted on the Johannesburg Stock Exchange but controlled by the Carleo family, has started an internal inquiry. Police are also investigating.

Putco operates mainly in the Transvaal but also serves homelands such as Kwandebele and has a big operation in Natal. The Natal service has also been boycotted while its south Durban service has been suspended after the sacking of 200 drivers who refused to collect fares on October 24 in support of demands for the sacking of a white depot supervisor.

Putco, which carries more than 300m black passengers a year, has suffered damage of more than R20m (£8.17m) to its vehicles and property in the past two years of violent protests, strikes and boycotts in black townships.

The stoning of Putco buses is one of the most visible barometers of township unrest. The latest bomb incident, after 10 days of boycotts and stoning of vehicles, is evidence of rising tensions again in Soweto where nine blacks were shot dead by police last week.

Problems in housing and transport have been compounded by continuing unrest in schools where thousands of black pupils have been boycotting exams against the background of renewed antagonism between the Soweto parents crisis committee and the Department of Education and Training over the department's threat to close another 40 black schools next term and complaints of lack of progress in areas such as staffing, school curriculae and the continuing military and police presence in many schools.

Elsewhere on the labour front the strike at General Motors plants in Port Elizabeth continued yesterday, forcing the company to delay the launch of its Opel Monza model.

Aquino wins Japanese aid

PRESIDENT Corazon Aquino of the Philippines yesterday started a four-day visit to Japan with a promise of economic aid, Reuter reports from Tokyo.

Japan said it had pledged to extend a Y40.4bn (£173m) loan requested by the Philippines to build a coal-fired thermal power plant to cope with a projected power shortage in Luzon.

Meanwhile, Mrs Aquino's Government yesterday began ceasefire talks with Communist rebels at a secret Manila location. Mr Ramon Mitra, the Agriculture Minister, and one of three government negotiators, said: "Either we agree tonight or we break off."

Mrs Aquino, dogged by rumours of possible military action against her Government, warned on her departure for Japan that possible military dissidents would face her summoning the people into the streets to stop any "self-proclaimed messiahs" from toppling the Government.

Ershad lifts martial law and revives constitution

By Syed Kamaluddin in Dhaka

PRESIDENT Hossain Mohammad Ershad of Bangladesh yesterday ended four-and-a-half years' martial law and revived the suspended constitution.

The lifting of military rule followed the adoption by the national assembly of the constitution (seventh amendment) Act 1986, ratifying all actions, reforms and laws effected by the Government since March 24 1982.

Four small opposition parties with 12 MPs and three independents supported the bill, but the mainline opposition alliance, led by the Awami League and the right-wing orthodox Jamaat-E-Islami, boycotted the session.

The other mainstream opposition groups, led by the Bangladesh Nationalist Party, organised a successful half-day general strike protesting against the indemnity bill.

A total of 223 MPs out of 330 voted for the bill.

Addressing the nation, President Ershad said that the lifting of military rule marked the beginning of an era.

The sacred pledge he had made four-and-a-half years ago for transition to democracy had now been fulfilled, he said.

Mrs Sheikh Hasina, head of the Awami League, said passage of the bill was a shameful event, which had legalised the military coup and all the illegal actions of the regime since 1982.

While criticising the opposition members who helped adopt the amendment, she said her party would be attending the next parliamentary session now that martial law had been withdrawn.

President Ershad, who elected himself president in a controversial election last month, appears to be firmly in control.

Now the Awami League has agreed to attend parliament, his position is expected to be consolidated.

Relative political stability is likely to be achieved, at least for now.

AP adds: One youth was killed and more than 100 people injured as several thousand protesters battled with police in the streets

WORLD TRADE NEWS

Bonn presses for strong role in Hermes shuttle

BY DAVID MARSH IN BONN

THE West German Government is pressing for some of the country's top high technology companies to play a strong role in designing and building Hermes, the French-led mini space shuttle which Europe plans to construct by the second half of the 1990s.

Messerschmitt Boelkow Blohm (MBB) and Dornier, the country's two main aerospace groups, as well as MAN, the engineering concern which has developed particular capabilities in carbon fibres, are expected to play a significant part in the current Hermes design phase. They will be working with Aerospace of France which is main contractor for the project.

Bonn last month decided to commit DM 32m (£11.4m) to backing early design work on Hermes which is being pushed forward under the auspices of the 11-nation European Space Agency.

Although the West Germans have not yet formally decided to participate in the full development of Hermes, the decision to put up a sizable initial sum, representing 30 per cent of the overall design phase cost, confirms Bonn's interest in the project.

Underlining a generally more self-confident approach in joint aerospace projects with France, officials at the Technology Ministry in Bonn stress that a strong role for German companies is one of the conditions for West German funding for the rest of the Hermes project.

The cost of Hermes is put at about \$3.5bn (£2.4bn) by ESA. Bonn, however, believes that the overall cost, including satellites and other space infrastructure to make Hermes part of an integrated space transport and communications system able to serve manned space stations, could be much more.

West Germany is also pressing for project leadership in important sub-systems of the project to go to West German companies. These include areas such as engines and life-support systems.

Bonn in the past has resented that in large joint projects with France, such as the Airbus airliner programme, the Paris government has ensured that its own industry gets the most technologically demanding part of the work. "That will not happen again," says one official in Bonn.

Toshiba to expand in Singapore and Mexico

By Carla Rapoport in Tokyo

TOSHIBA, one of Japan's leading electronics companies, is expanding production in Mexico and Singapore in its latest moves to deal with the effects of the appreciation of the yen.

The company said yesterday that it will spend about \$19m (£13.1m) on establishing a new television components plant in northern Mexico and on expanding production of colour television sets and audio products in Singapore.

The move is the latest in a rash of similar announcements by major Japanese exporters seeking to increase production outside of Japan because of the high yen's effect on export margins.

The Mexican-made components will be used by Toshiba's US colour television set in Tennesee. "The move adheres to a Toshiba policy of basing production in—or as close as possible to—major markets to assure a faster supply of key components," Toshiba said yesterday.

Toshiba added that the Mexican facility, in Ciudad Juarez, near the US border, may be used as a manufacturing base to produce other products for the US market.

The Mexican investment will be worth about \$15.3m, while the Singapore expansion will be about \$4m.

EEC urged to focus on industry

BY ALAN FRIEDMAN AND JOHN WYLES IN ROME

FT CONFERENCE

Italy and the International Economy

AN APPEAL to the European Community to spend less time arguing about agriculture and more on encouraging industrial and economic development was launched yesterday by Mr Giovanni Agnelli, the president of Fiat.

Opening the conference with a speech on the industrialist's expectations of Europe's politicians and bankers, Mr Agnelli called for a more rapid development of the Community's internal market so as to boost its competitive position vis-a-vis Japan and the US.

Industrial problems were not receiving enough consideration, commented Mr Agnelli. Some 5 per cent of the EEC's budget was dedicated to industrial development and 65 per cent to agriculture. Farming was also dominating the intellectual and debating attention of the Community.

Mr Agnelli called on governments to deliver the "freedoms" of an internal market without obstacles to the movement of people and goods, freedom of establishment for industrial companies and freedom of investment.

Italy's pragmatic approach towards privatisation policy was stressed by Prof Romano Prodi, chairman of IRI, the state holding group.

Whereas privatisation was being promoted in Britain and France by parties wishing to redefine the role of the state, in Italy private capital was being introduced into companies and banks which "no longer need the 'crutch' that past events had led IRI to provide."

There was no particular ideological motivation; the future interest of the business was the paramount factor whether it was a loss-maker such as Alfa Romeo which was being acquired by Fiat, or profitable like San Giorgio Elettrodomestici.

Explaining Italian financial policy, Dr Mario Sarcinelli, director general of the Treasury, said that the aim had been to improve structures and intermediation.

High inflation between 1975-85 and the rising government deficit had required quantitative controls on money which were now being progressively dismantled in favour of allowing the market to allocate resources.

The most important innovation had been indexed private and public bonds along with the emergence of "atypical" products which had finally required regulation. Mutual funds had been introduced since 1983, and of the 59 now in existence 38 were operated by banks.

At the same time, deregulation has been proceeding.

Dr Romeo Dalla Chiesa, Chairman of the state-owned Banco di Roma, traced the developments in recent years which, he said, had caused a "profound transformation of the Italian capital market."

He also noted the high savings ratio in Italian families, saying that at the end of last year total family-held financial assets had reached L900,000bn (\$620bn).

The importance of nurturing the growth of merchant banking in Italy as part of the modernisation process was highlighted by Dr Rodolfo Rinaldi, chairman of Banco di Santo Spirito.

Mrs Edith Cresson, a member of France's National Assembly and previously Minister of Industrial Redeployment and Foreign Trade, described the French view of international business issues. Mrs Cresson stressed the need for European governments to co-operate on major investments in new technologies and said the development of a European computer industry was one area ripe for such co-operation.

Commenting on Italy's changing industrial structure, Mr Carlo De Benedetti, chairman of Olivetti, said the reduction of corporate debt burdens, from an average of 50 per cent of revenues in 1976 to an average of 28 per cent today had made Italian industry fitter. The modernisation of major Italian companies had made reductions in employment levels "unavoidable."

Mr Roger Hornett of London stockbrokers James Capel said he believed that Italy had "graduated" and matured to become one of the world's major financial centres, with one of the largest and most progressive capital markets. He complained about the continuing problem of delays in settlements of share transactions for foreign investors in Italy.

Prof Mario Monti, director of the Bocconi University's Centre for Monetary and Financial Economics, called for important changes in the Italian regulations and practices so as to put the financial system in a better position to compete internationally.

Mr Denis Healey, Britain's Shadow Foreign Secretary and former Chancellor of the Exchequer, warned of some of the dangers inherent in the present revolution in international financial markets. He predicted that "re-regulation of financial markets is now on the way."

He said that "colossal" capital flows were causing instability in exchange rates and international trade patterns, adding that the excessive dependence of the financial revolution on computers made the system vulnerable to breakdowns, fraud and sabotage.

West Europe chip market 'to grow by 13% next year'

BY TERRY DODSWORTH

RAPID GROWTH in demand for semiconductors in the automotive industry is expected to underpin an expansion rate of around 13 per cent in the total West European chip market next year, according to an industry survey by Motorola, the US electronics group.

The predicted pick-up in European semi-conductor demand is part of an expected recovery in the world industry after two years in which most of the large chip manufacturers have struggled to make profits.

Mortorola is predicting significantly stronger growth in the US and Japan, at 17 per cent and 15 per cent respectively in 1980. It is also expecting continuing strong expansion in the rest of the world at around 40 per cent.

One of the most significant shifts in the world market, according to Mr Jan Calen, Motorola Semiconductors' European marketing director, is the development of the Japanese market to outgrow US semiconductor consumption in dollar terms.

This has, to a significant degree, been caused by the appreciation of the yen against the US currency, which has pushed up the valuation of the Japanese market, when expressed in dollars.

On this basis, Japan will account for 40 per cent of the world market this year, at \$10.56bn (£7.3bn) against the US 33 per cent (\$8.66bn). Two years ago the US share amounted to 45 per cent and Japan's to 31 per cent.

European consumption as a share of the world market is seen as remaining static this year at 20 per cent, while declining slightly to 19 per cent in 1987. Indigenous European-based manufacturers will supply only 38.5 per cent of this stake, says Motorola.

In the US domestic suppliers are expected to supply 82 per cent of local demand, while Japanese producers will meet almost 90 per cent of their national market needs.

In Europe, the supply gap will be filled mainly by US-based companies, with almost 50 per cent sales, followed by the Japanese, with 11.5 per cent.

UK demand is forecast to expand at 10 per cent next year, somewhat less strongly than in the rest of Europe, partly because the boom conditions in the personal computer industry have evaporated.

In addition, UK industrial demand for semiconductors is weaker than in most other European countries. This is the area expected to show strongest growth next year, particularly the car sector, which Motorola expects to grow at 25 per cent in 1987.

Asked about the European impact of the US-Japan semiconductors pact Mr Calen said that there appeared to have been some stabilisation of 256K memory chip prices. They were running at around \$2.00 to \$2.40, against quotes as low as \$1.50 before the accord.

Moscow willing to launch satellite for Thailand

BY STEVEN B. BUTLER IN BANGKOK

THE Soviet Union is making a bid to launch a communications satellite for Thailand.

Licensintorg, the Soviet organisation specialising in trade in high technology fields, has said that it would be ready to negotiate the launch of Thai space devices on a commercial basis.

The offer has raised some eyebrows in Bangkok's diplomatic community because of what is seen as the impracticality of the scheme.

On September 30, the Thai Cabinet tenatively approved a proposal by Siam Satellite to proceed with its plan to launch a 24-channel communications satellite that would be built by RCA of the US. The project would cost more than \$200m (£138m).

Mr Yuri Mikhailov, the Soviet Trade Commissioner in Thailand, said the Soviet Union would guarantee production and technology secrets of any device.

Diplomats, however, doubt that the US would ever allow a state-of-the-art satellite to be exported to the Soviet Union for launching because of concern about leakage of technology to the Soviet Union.

Arianespace, the European satellite launching company, recently sent representatives to Thailand in a bid to sell the Thais on the idea of launching any possible satellite in Europe.

The Soviet Union last week closed the largest trade and industrial exhibition ever staged in Bangkok. The show attracted about 500,000 visitors in 18 days.

Bilateral trade between Thailand and the Soviet Union was about \$100m last year.

De Clercq in trade offer to Australia

By Chris Sherwell in Sydney

MR Willy de Clercq, EEC Commissioner for External Relations and Trade, yesterday offered Australian businessmen the Commission's help in seeking new trading opportunities with their European counterparts.

To help Australia diversify its exports, Mr de Clercq said, "We would be happy to help organise contacts with our industrial federations and trade organisations."

"We also believe there is a role for us to play, in light of recent developments in Australian economic and trade policy, in encouraging our traders and exporters to look more to Australia."

His offer, made in Sydney ahead of annual consultations with the Canberra Government, was part of a broader appeal to the business community and government for co-operation between the EEC and Australia.

Europe, he told a gathering of businessmen, wanted "to avoid the rhetorical confrontation which has, alas, sometimes characterised EEC-Australia relations in the past"—a reference to persistent Australian complaints over the EEC's agricultural policies.

US runs trade deficit with Saudi Arabia

BY FINN BARRE IN RIYADH

THE US is running a trade deficit with Saudi Arabia for the first time in several years, due to increased liftings of Saudi crude.

Trade statistics from January-August 1986 show the Americans ran a trade deficit of \$441.4m (£306m) compared to a trade surplus of \$2.25bn for the same period in 1985.

US exports to the kingdom totalled \$2.37bn compared to imports from the kingdom of \$2.811bn. Most of the US imports consisted of crude oil. Other imports included petrochemicals, some refined petroleum products, and a little steel.

For the same period in 1985, the US exported goods worth \$3.bn to the kingdom, and took Saudi exports worth \$854.8m.

US exports to the kingdom dropped 23.5 per cent, while the kingdom's exports to America jumped by 228.8 per cent, according to data compiled by the US Department of Commerce.

Trade statistics released by the US, and by the Japanese Ministry of International Trade and Industry, indicate that for the first half of 1986, the US has attained first place as a trading partner of the kingdom.

US exports during the first half of 1986 totalled \$1.75bn, while Japanese exports totalled \$1.45bn, down 27.7 per cent from the same period in 1985.

The Japanese imported \$30.4bn-worth of goods—90 per cent of which was crude oil, from Saudi Arabia.

Britain's Defence Secretary, Mr George Younger, will visit Saudi Arabia shortly to negotiate a framework for British investment in high-technology joint ventures, Reuter reports from Jeddah.

A British embassy official said yesterday that discussions during the visit, the exact date of which has yet to be fixed, would include possible formation of a joint committee to oversee, assess and approve a list of potential projects.

Seoul acts on Japan deficit

South Korea is to provide soft loans and tax benefits to companies exporting to Japan to help cut its bilateral trade deficit from an expected \$5.8bn (£4.02bn) in 1986 to \$2bn by 1991, Reuter reports from Seoul.

The five-year plan calls for major incentives for companies producing goods to replace imports from Japan and for exporters concentrating on selling to the Japanese market.

The plan will also finance private projects aimed at buying from the US rather than Japan to help slow the rise of South Korea's trade surplus with the US, which Seoul sees rising to \$7bn in 1986 from \$4.3bn in 1985.

Soviets shuffle trade groups

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION is to decentralise control of its Foreign Trade Organisations (FTOs) responsible for one third of its imports of equipment and 60 per cent of its equipment exports from the beginning of 1987.

The reorganisation is aimed at increasing Soviet manufactured exports and improving the use of imports. It will involve hiving off some eight FTOs from the Foreign Trade Ministry which has had monopoly control of all Soviet external commerce, say diplomats.

The organisations will go to the 21 ministries and 70 enterprises to be granted the right to trade abroad from the start of next year. The organisations affected are:

● Vehicles: Avtoexport, in charge of the export and import of motor vehicles and agricultural machinery. Exports include the Lada car from the main Soviet automobile plant at Togliatti. Second, Traktorexport, in charge of the export, import and servicing of farm and road-making equipment.

● Machinery: Stankoimport, export and import of machine tools and precision instruments. Probably the most important of the foreign trade organisations to be transferred to the machine building ministries because there is heavy emphasis in the current five-year plan on better machine tools.

● Chemicals and medicine: Soyuzkhimexport and Medexport, the organisations in charge of the export and import of chemical products and also of medicines and pharmaceuticals.

The end of the monopoly of the Foreign Trade Ministry over Soviet external commerce still leaves this ministry with control over raw material exports which provide the bulk of Soviet hard currency export earnings.

India may need to import steel

BY P. C. MAHANTI IN CALCUTTA

INDIA may have to import up to 200,000 tonnes of hot rolled coils and skelp during 1986-87 to meet the full demands of her pipes and tubes manufacturers, according to Steel Ministry sources in Calcutta.

This is because of a severe disruption to production at Bokaro Steel Plant, a leading producer of these categories, caused by a critical power shortage in the eastern region.

The power shortage was caused by the unsatisfactory operation of several power stations belonging to the Damodar Valley Corporation, a major energy producer which supplies electricity to all steel plants in the region.

According to the same source, import authorisations for 160,000 tonnes of skelp and hot rolled coils are being issued, and more will follow after the Steel Ministry has revised the position with the concerned consumer interests later this month.

The Steel Authority of India had planned to produce 800,200 tonnes for the current financial year, of which the major part was to come from its Bokaro plant. In view of the power crisis and some labour trouble at the plant, the Steel Authority will not be able to reach the target.

The Indian tube industry's needs, it is estimated, will be 900,200 tonnes this year.

India's steel output in the first half of 1986-87 fell marginally to 3.38m from the previous year's 3.45 tonnes in the same period but is very much below the target of 4.5m tonnes based on assessed needs.

THE ARTS

Giulini/Festival Hall

Max Loppert

Carlo Maria Giulini and the Philharmonia Orchestra and Chorus have joined forces once again for two performances of the Verdi Requiem. Before the first of them, on Sunday, it was possible to wonder whether all the nostalgic memories aroused by the performing combination would crowd in upon the experience, perhaps even spoil it (and disappointments with this conductor's recent Verdi opera, in the theatre and on record, also hovered in the background).

In the event, it took almost no time for them to be blown away: Giulini's vision of the Requiem, on this evidence, remains as inspired and inspiring as ever. The Philharmonia and its chorus schedule this work frequently during the course of its seasons, yet seldom indeed are players and singers drawn into its world with the rapt, unforced devotion that marked Sunday's performance.

Every part and every executant sang. One soon came to think of the entire performances as being "voiced," for an immense fund of lyrical warmth streamed out of the notes and the phrases, forging movements into seamless wholes, tempering the severity and the starkness of Verdian pessimism with an irresistible sense of Italian humanity. Where grandeur was needed, it was not wanting: if one had forgotten Giulini's power to raise huge climaxes in the "Dies irae" and "Sanctus," the reminders came soon, and impressively. But power was always distinct from volume-production or effects-creation. There was buoyancy even in the darkest moments.

It was probably a more measured, slower - paced Requiem than those that Giulini conducted in this hall in the late 1960s. If so, no feeling of ponderousness resulted, because of the lyrical shine on the music and because of the ease and naturalness with which chorus and orchestra appeared to be unfolding the music. It's difficult to instance exactly where and how this glow made itself felt—though in a hundred small moments (such as the encouragement of strings to phrase with the soloists in the "Offertorio," or the illumination of passages in the finale that others make merely transitional) there was no doubt of its quiet intensity.

If comparison with the past worked at all to the detriment of the present, that may only have been because the solo quartet seemed less well chosen than many others previously assembled for a Giulini Verdi Requiem. In solo, each had his or her moments. A new American soprano, Linda Roark-Strummer, made a striking impression — timbre somewhat hard but technique admirably resilient (lots of well-supported soft phrases). Florence Quivar's mezzo, after a fuzzy start, rose to properly fervent utterance; Arthur Davies' liquid tenor gave reliable pleasure.

Though even Giulini could not persuade Paata Burchuladze to sing in tune or with rhythmic exactness all the way through, the Georgian bass was in malleable as well as hugely sonorous voice. In general, then, this was a quartet of individual strengths; but the necessary teamwork was achieved much more through the conductor's inspiration than through the desired, carefully gauged blend of voices.

The Miser/Birmingham Rep

B. A. Young

Peering down the great precipice of the Birmingham Rep, I thought how handsome was Paul Brown's design for Harpagon's house, spacious and elegant with great glass doors overlooking the garden. Then I noticed that the chairs, pretty austere pieces, had been stowed away upstage. Evidently they were as uncomfortable as they looked, for everyone prefers to sit on the floor. Christopher Fettes, who directs this adaptation of Moliere's *L'Avare*, has associated avarice with poverty, which seems to me a mistake. Ragged servants, hardly strong enough to carry out their duties, fight over a piece of bread. Harpagon's foppish son Cleante (Ian Jeffs), is kept so short of underwear that he tends to appear bare-chested.

Moliere's comedy does not suffer overmuch from this misunderstanding. Warren Mitchell gives a fine Harpagon, plotting his financial schemes with the self-satisfaction of an artist, denying generosity to others with the self-righteousness of a headmaster, skidding into manic hysteria at the loss of his casket of 10,000 gold crowns. (The casket is restored to him with a gratuitous conjuring trick, when it is made to appear from behind a cloth. Perhaps this is why such a very small casket is used. "Infinite riches in a little room.")

Steven Pinder is a lively Valere, capable of surmounting any difficulties that confront him, even of speaking the translation by Shadwell famous for never deviating into sense, who often writes lines like "There are no persons but are deficient in that respect at least once in their lives." The scene in which he and Mariane are revealed as the children of Anselmo (Edmund Kente) looked worthy of a Mozart sextet.

Fenella Fielding sadly had had to drop out of her part of Frosine, which was taken over by Joanne Mitchell. Nothing much can be made of Elise or Mariane but to show them as acceptable counters in the marriage stakes, and this Jenny Lipman and Juliet Prague were easily able to do. Renu Setna plays Maître Jacques, whose loyalty to the Harpagon household survives endless beatings by Harpagon and Valere, with cheerful good temper.

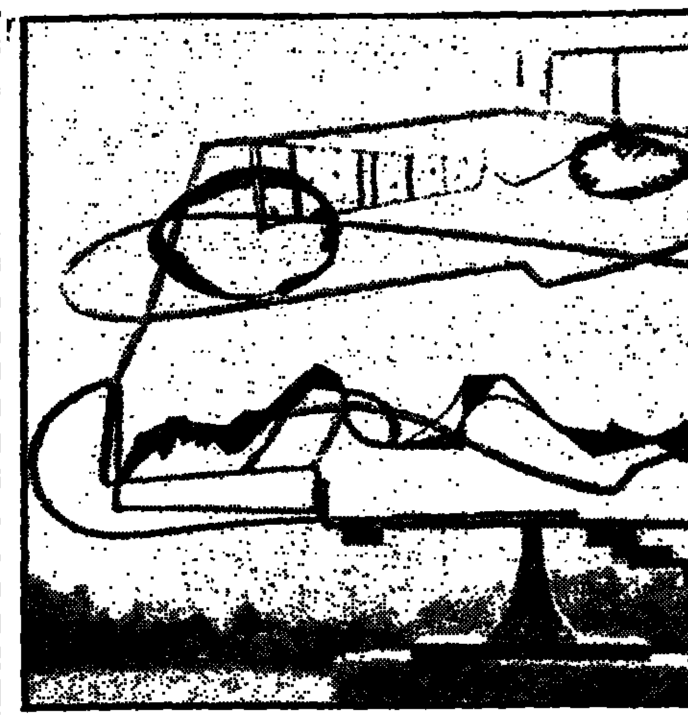
The comedy would have seemed sharper if the pace had been brisker. The intrusive scenes for the servants, accompanied by sad music, are too severe for what is not quite such a grim satire as it sometimes seems here. A thunderstorm is raging backstage throughout the whole evening, lest anyone should feel that there might be a happier life outside.

Jonathan Miller to give the 1986 FT Arts Lecture

On Thursday evening December 4, Dr Jonathan Miller will give the 1986 FT Arts Lecture before an invited audience at Bafta in Piccadilly. After the lecture there will be a question-and-answer session, and refreshments will be served.

A number of seats are available for FT readers, with a maximum of two seats per application.

Applicants should submit a stamped addressed envelope and daytime telephone number to the Press Office, Bracken House, Cannon Street, London EC4P 4BY. If the lecture is oversubscribed, outstanding saes will be donated to charity.



The Hudson River, 1951, by David Smith

Whitechapel Gallery/William Packer

An American totem

The American sculptor, David Smith, who died after a road accident in 1965 at the age of 59, has long been generally acknowledged as one of the most significant artists of his generation. The case is a good one and even at the time of his premature death, when he was working with undiminished energy and ever-increasing scope and ambition, his work was already taken as a major seminal influence upon contemporary sculpture in Europe and America. Such was the hyperbolic way of American criticism in those days that he was taken as one of the greatest artists who ever lived, which is more questionable.

But the most curious thing about that unquestioning American critical support was not so much that it was mistaken as that it was so near-sighted. Many American artists were lucky enough simply to be in the right place at the right time, but there is no doubt that the major figures of New York in those first 20 years after the War, the Rothkos, de Koonings, Pollocks and, yes, the Smiths, were major figures tout court. But their reputation and international success stood not upon a life's work but rather upon a critical enthusiasm for the work of the most recent years. All turned upon the supposed moment around 1950 or 1951 when—in the words of Irving Sandler, the critic and historian of the New York School—each of them severally "achieved his breakthrough into style."

So certain and insistent was this support that it became for a time self-fulfilling. Even the artists themselves seemed to believe it, or could be excused for doing so when the rewards were so persuasive. If it was the work of David Smith's last 10 years — large, simple, non-figurative and non-allusive— which was presented to the world at large, that must be the work which was influential.

Anthony Caro, whose latest incipiently figurative reliefs have lately been seen at Knoedler, visited David Smith at his studio home at Bolton Landing, deep in the countryside of New York State, in 1959. The large totemic works of the late 1950s which he saw, with their few simple welded elements of polished stainless or painted steel disposed with such apparently easy authority, certainly confirmed him in his own decision to abandon modelling and the figurative reference altogether in favour of welding, given material and an open architectonic imagery. But Smith had experienced no such sudden and definitive conversion. The position he had achieved in his work was only the present point on a progress and development over some 30 years. Though that later work, and his drawings especially, show at a conscious level his open preoccupation with abstract expressionism, his creative roots lay far deeper in the rich mix of surreal, expressionist and constructivist influences that had reached America long before the War. There never was a "breakthrough into style."

American criticism in fact caught up some time ago with the idea that New York painting and sculpture of the 1950s was no hermetic phenomenon. With that recognition has come the understanding that the work of the '30s and '40s, which formed it, is not only interesting in itself but often of more true originality and actual importance. The very great importance of the splendid exhibition of David Smith's sculpture and drawings, which has now arrived at the Whitechapel Gallery from Dusseldorf and Frankfurt (until January 4, closed Monday), lies in the view it gives us, for the very first time in this country, of his entire mature career. The very many beautiful, intriguing and exciting works it celebrates for their own sake constitute a not inconsiderable bonus.

Smith had thought at first to be a painter, but the welded and assemblage sculpture of Picasso and Julio Gonzalez (not made so much as improvised out of ready-formed material) which he came upon as reproductions in the *Cahiers d'Art* of the late 1920s, committed him to sculpture. Gonzalez, the welder, whom he called "First Master of the Torch," was his especial and life-long hero, and if the influence is explicit in the earlier work, it is residual throughout and transforms our reading of the late abstraction.

The show is admirably set out and the visitor is well advised to resist the lure of the main hall and begin at the beginning, which is in the Upper Gallery and follow its sequence through. That beginning is a true *coup d'exposition*, with the unfamiliarity of the smaller early works, raised on their pedestals to eye level, more than matched by their exuberant formal invention, imaginative wit and technical finesse. All are figurative in the sense of surreal association or abstraction from a reference, and it is not really until the end of the 1940s that the occasional explicit representation, such as the marvellous *Royal Bird* of 1948, gives way to a larger scale and a more ambiguous totemic presence. After the early 1950s there were to be no more cathedrals, cages, landscapes or interiors given as such: the inventive excitement seems to fall away to be replaced by something of a mood more serious, considered and ponderous. Is there a sense too of disappointment?

Perhaps it is simply as natural as it is unfair to delight in what is new to us at the expense of the more familiar. But even so the doubts remain, vague as they are. We must always remember the context in which the work was made. Artists can take themselves very seriously and critical orthodoxies can be very powerful. Is it fair to Smith to see him as the 1950s wore on, conforming to the imperatives of pure abstraction at a time when one could only be with it or against it, the old surreal association abstraction for the moment being discredited? We can see here that whatever he intended Smith could never slough off entirely the traces of surrealism. And of all the later work, it is the *Voltri* series, made in a month for the Spoleto Festival of 1962 when he had the run of a disused factory near Genoa, which is the most joyful and uninhibited, and closest in spirit to his earliest work and his old instinctive ways. Much as there is to admire in the *Cubi* totems of the last years, with their polished geometry and formal elegance, it is in the work that came out of *Voltri*, where far from home David Smith forgot himself in his work, that we discover the truer and greater artist.

Hidden Fires/Glasgow Citizens'

Michael Coveney

Even by the exotic standards of the Glasgow Citizens' repertoire, de Musset's *Le Chandelier* (1840) is an obscure choice. It belongs to one of de Musset's more frenetic periods of activity after the affair with George Sand was concluded; a light romantic piece but by no means a trifle, it is brilliantly constructed in three acts and suffused with misprized passion.

In order to conceal her intrigue with an officer in the dragoons from the jealous badgering of her lawyer husband, Jacqueline prevails upon one of her husband's clerks, Fortunio, to become her *cicisbeo* and perhaps bear the brunt of old Maitre André's *vengeance*. The plan misfires because Fortunio has nurtured a passion for Jacqueline these two years; in displaying it, he places the lady in a quandary from which she only extricates herself by responding spiritedly to his sexual challenge.

The play was modern enough to be banned by the Minister of the Interior and romantic enough to form the basis of an Offenbach operetta, *Le chanson de Fortunio*. Robert David MacDonald, directing and translating, has struck to its jaundiced centre and laced the sweetness with a bitter, ruminative draft of poison, Fortunio's agony erupting in the second act. Gary Cooper does not sing the song, but recites his secret love and burns the script in a candle's flame.

When the truth of his affection comes out, Mr Cooper, grave and saturnine, not really Hall de Musset's curly-locked youth with an innocent air, turns positively rancid. These exchanges are not in the sustained impassioned class of those between Camille and Perdican in *On ne badine pas avec l'amour*, but they belie the piece's reputation of fluffiness.

So does Roberta Taylor's pinched and confused Jacqueline, a marvellous study in awakening affection in the face of her sordid, obviously mechanical liaison with Ciaran Hinds's oafishly unpleasant Clavaroche. Miss Taylor's costume, a tartan checked country frock, and her phallic knob of trussed black hair, lend her the disconcerting appearance of George Robey in pantomime.

But Mr MacDonald, whose translation is both accurate and scintillating, is after the incipient savagery in de Musset, not the melting charm. Jacqueline's marriage to the loping, vulpine lawyer (Giles Havergal has dyed his hair a gingery carrot colour) is as ghastly as the affair, by the end; Fortunio has been collected as well. This interpretative scheme may destroy the sexual, dilettantish progression of the comedy, but it is a valid and energetic ploy, especially in a house not necessarily concerned with the aesthetics of 18th century French comedy.

The boudoir is separated from a beautiful little classical garden in Stewart Laing's design by the use of sliding scenery; the social scenes are poised enticingly in the middle, Ida Schuster's busy maid and Patrick Hannaway's disapproving gardener, nipping at the topiary throughout, giving bustle and life to de Musset's provincial country house. A little gem — hard, bright and cold.

Giles Havergal

London Symphony/Barbican Hall

David Murray

Michael Tilson Thomas's rousing concert with the LSO on Sunday began deceptively with an overripe *Benvenuto Cellini* Overture. I am prepared to believe that there is some Berlioz note preserved somewhere that says the big 'cello tune must be reinforced by at least four bassoons, and that the timpani-part should be *furiously delivered à trois* like the crack of doom. Nonetheless, the multiplied winds—whatever the excuse — made adipose tissue, a plushy, lingering sound that left the score choked for air and lightness. That apart, the Tilson Thomas reading sounded sympathetic enough: it just lacked Berliozian litheness and grit.

The inspiration-level made a quantum-leap with the arrival of Cécile Ousset to play Rakhmaninov's "Paganini" Rhapsody. That wasn't solely Ousset's doing, but the result of what proved to be a marvellous collaboration. On the one hand there was her fabulously secure, lucid grasp of the torrential notes (as often before, she demonstrated in passage after passage that nobody else really plays them) and her searching brilliance. On the other hand, Tilson Thomas could trade upon her rock-like steadiness to let him explore what is wildest and most nightmarish in this late Rakhmaninov product. It was a gripping performance, often revelatory (and lest I seem to under-rate Ousset's role, let me add that her noble breadth in the much-abused 18th variation was exemplary). Standard readings are now going to seem thin and bland.

Tilson Thomas set about Richard Strauss's *Ein Heldenleben* with the utmost keenness. The Hero took his opening strides with youthful alacrity—not, perhaps, the tempo that gives Strauss's scoring its best effect—and the continuing pace left his Adversaries (music critics) too breathless for characterisation. The symphonic drive fairly crackled, however; and then Tilson Thomas relented gracefully to develop the Hero's Wife (Michael Davis's violin, sweetly evasive) and later his golden twilight at leisure.

In between, the Heroic Battle surmounted an initial disarray of offstage trumpets. The conductor's own performance was not just impassioned, but balletic; Barbirolli, I remember, fulfilled similar intentions without the acrobatics. And left a longer glow behind: this time, the rapt Tilson Thomas pose at the end was immediately cut across by the applause that he'd vigorously invited.

Sarah Walker/Wigmore Hall

Richard Fairman

A recital devoted to English songs is not a common event. To most audiences the prospect probably seems as insipid as that of a gallery which houses nothing but water-colours of rolling green hills, yet there is really no reason why this should any longer be the case. English composers of the post-war era have left behind a strong and varied song repertoire for those who have the interest to look it out.

The mezzo Sarah Walker is one of those few. The plan of her programme at the Wigmore Hall on Saturday was well-nigh ideal: the backbone was provided by three groups of songs by Britten, including some of his arrangements of Purcell and a light, hushed account of his *Charm of Lullabies* that was still full of life. In between came music by Malcolm Williamson, Nicholas Maw and Joseph Horowitz, the latter represented by his one-woman version of *Macbeth*.

The most important item was Maw's song cycle *The Voice of Love*. Written in 1966, this music is short of good melodic ideas, but uses harmony and texture to soak the whole cycle in a luxuriant, romantic atmosphere. Its richly chromatic accompaniment was played with an almost impressionist grace by Rogert Vignoles. As Miss Walker's regular partner, he also knows how to keep the right balance.

At the top of the stave the voice does have trouble with unwanted vibrato. (A couple of awkward phrases in the Maw were curtailed early.) Otherwise Sarah Walker's art is now at its prime. Her sense of how to make an effect tell is unerring in its judgment: Maw's "Epilogue," for example, opened in a withdrawn, pensive way that perfectly summed up all that had gone before.

At the other end of the scale came the humorous pastiche of Britten's cabaret songs, for which this singer is renowned. *Nobody is likely to equal the* range of colours that she brings to these deliciously over-written texts (W.H. Auden) or rival her impression of a car whizzing past at speed.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

November 7-13

LONDON

Royal Opera, Covent Garden: The Traviata revival features Lucia Aliberti at all performances (taking over the share of the indisposed Katia Ricciarelli), with Arthur Davies and Peter Dvorsky alternating as Alfredo, and Yury Simonov conducting. (240 1066).

Royal Opera House, Covent Garden: Kenneth MacMillan's Mayerling and The Sleeping Beauty with Gelsey Kirkland as Aurora.

SPAIN

Barcelona, Massenet's Don Quixote with Ruggero Raimondi, Gabriel Bacquier and Martha Senn. Gran Teatre del Liceu, Sant Pau 1. (318 92 77).

VIENNA

Staatsoper: La Bohème conducted by Rudel with Malfitano, Renée Cupido; Die Verkaufte Braut. National Theatre of Prague, conducted by Vajnar with Benackova-Cap, Drobkova, Vitkova, Jonasova; Der Rosenkavalier conducted by Weikert with Rysanek-Gausmann, Schmidt, Wise, Miljakovic, Gall, Sasaki; Dalibor. National Theatre of Prague, conducted by Vajnar with Machakova-Hruba, Markova, Zitek, Vodicka. (51 444/2655).

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with Giselle choreographed by Petipa and revised by Peter Wright (Tue to Thur). (255 455).

Groningen, Schouwburg. Nederlands Dans Theater with Ballet Scenes (Stravinsky/Van Manen). Symphony of Psalms (Stravinsky/Kylian), and a new ballet by Ed Wubbe (Tue). (12 56 45).

ITALY

Rome: Teatro Brancaccio: (244 Via Merulana): The Aterballetto in a programme of four ballets. (Wed and Thur). (46 17 55).

Trieste: Teatro Comunale Giuseppe Verdi: Rigoletto conducted by Hubert Soudant and directed by Lamberto Puggelli with Susie Jo, Gloria Scalchi, John Rawnsley and Antonio Savastano. (63 19 48).

NEW YORK

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Malgardée, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th e. of 7th Av (581 7907).

PARIS

Offenbach's La Belle Hélène with the title role sung by Eva Saurova/Valérie Marestin and that of Paris sung by Pierre Catala/Roger Pujol. Théâtre de Paris (4874 1075).

WASHINGTON

Washington Opera (Opera House): The week features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevksaya with Elizabeth Knighton, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Handel's Orlando. John Copley's production is conducted by Charles Mackerras with June Anderson, Marilyn Horn and Jeffrey Gall. Edita Gruberova takes the title role, and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras. (332 2244).

TOKYO

Matsuyama Ballet: Don Quixote with Yoko Morishita, Rudolf Nureyev. Nicolas Giorgiades. Nissei Theatre, Hibiya (Thur). (503 3111).

Fujiwara Opera Company: Lévilli and Cavalleria Rusticana. Shinjuku Bunka Centre. (Tue, Wed, Thur). (371 5384).

WEST GERMANY

München, Bayerische Staatsoper: Francesco Cilea's rarely played Adriana Lecouvreur is an event of more than passing interest with Natalia Troitskaya, Hanna Schwarz and Giacomo Aragall. Tosca convinces thanks to Hildegard Behrens in the title role. Also Wolfgang Sawallisch conducting Il Tabarro/Gianni Schicchi in Tito Gobbi's productions with Julia Varady, Corneliu Murgu, Astrid Varnay and Rolando Panerai. Don Carlos with Ileana Cotrubas and Giorgio Lamberti and Der Fliegende Holländer with Donald McIntyre closes the week.

Saleroom/Antony Thorncroft

Another Clore million

Sir Charles Clore bought his collections piecemeal. When he became interested in miniatures he acquired the excellent collection of D. David-Weill of Paris and it is basically *this group of miniatures* that Sotheby's has sold this year, with the proceeds going to Jewish charities under the terms of Sir Charles's will. Yesterday the second part added £568,755, with only 3 per cent unsold, for a grand two auction total of £1.194,270.

Prices were generally well above estimate, with two leading continental dealers, Mrs Gertrude Rudigier of Munich and E. Bucher of Switzerland, bidding against each other. Very few of the 204 miniatures *on offer* will stay in the UK but since they were virtually all *produced in Europe* in the late 18th and early 19th centuries, usually in France, this is no great cause for concern.

Portraits painted on ivory were noticeably *more popular* than those on enamel, but even so the sale was littered with artist records. Mrs Rudigier carried off an 1812 portrait of Mademoiselle Pauline, an actress at the Théatre des Varietes, by Jean Baptiste Singry, for £22,000, double the estimate, and that of a young lady by Louis Lie Perin Salbreux, of around 1800 for *£20,900, treble its estimate.*

Bucher paid the same sum for a portrait of Prince Alexei Borisovitch Kurakin, a top Russian official, by Augustin Ritt, painted in 1798, and £18,700 for a gentleman, captured in 1785 by Jean Baptiste Weyley. "Une scène champêtre" by Nicolas Lafrensen of around 1780 went to Munich for £18,150 while Bucher responded by paying £17,600 for a rustic landscape by Louis Nicolas van Blarenberghe.

This is the week in which the leading London auction houses try and turn a pretty penny by holding sales in Switzerland, offering rather *ornate luxury goods that appeal* to the continental taste. Christie's kicked off on Sunday with art nouveau, art deco and bookbindings, and did well out of the first two categories and badly out of the books.

Private buyers took all the top lots, a European paying £89,796 for a bronze sculpture of a hippopotamus, cast around 1910 from a model by Rembrandt Bugatti. It is 56.8 cm long and 30.6 cm high. An American collector paid £44,898 for four volumes of poems and music by Richard Wagner, illustrated with symbolist pictures in a very "fin de siècle" *fashion. A Gallé table lamp of* rhododendron shape and colouring went for £42,653, to a Swiss private buyer. The sale totalled £737,018 with 35 per cent unsold.


Who wants to be
the middle man?

US CEMENT INDUSTRY

The weak dollar has enabled foreigners to snap up companies at bargain prices. **Bernard Simon** reports

Europeans take a grip on North American cement

A HANDFUL of European companies is close to gaining control of more than half the North American cement business after one of the most concerted foreign invasions into a single industry on the continent.

By the time Holderbank of Switzerland completes its imminent purchase of a 67 per cent interest in Denver-based Ideal Basic Industries, the third biggest US producer. no less than 48 per cent of US cement capacity will be owned by Swiss, German, French, Belgian, Swedish, Italian and British investors. In Canada, foreign ownership will reach 83 per cent of capacity when France's Societe des Ciments Francais (SCF) finalises its purchase of Lake Ontario Cement of Toronto, a major supplier in Ontario, Quebec and the east-central US.

The Ideal Basic and Lake Ontario takeovers follow two other big foreign purchases earlier this year. Britain's C.H. Beazer Holdings bought family-controlled Gifford-Hill and Co. which has five sunbelt plants and a strong presence in the ready-mix concrete market. Cimenteries CBR of Belgium has taken over the California and Western Canadian cement and building materials operations of Genstar, a Canadian conglomerate which is being dismembered by Imasco, its Montreal-based new owners.

An earlier wave of takeovers occurred in the late 1970s and early 1980s, when companies like Blue Circle of Britain, Lafarge Coppee of France and Heidelberger Zement of West Germany became forces in the North American industry.

Many of the foreigners timed their entry to coincide with a weak US dollar, snapping up valuable assets at bargain prices from forced sellers. The $110m which Holderbank will pay for Ideal Basic's 10 plants is roughly the cost of a single new cement factory. Ideal's creditors have agreed to reschedule its heavy debt burden, but shareholder approval is still required to finalise the deal.

Lake Ontario Cement, a well-managed, profitable company, was put on the block last summer. Denison Mines of Toronto, the owner, badly needed a cash infusion; it had turned down earlier approaches from prospective buyers.

A more fundamental explanation for the foreign influx is that construction activity and cement demand continues to rise in North America, whereas the European market is stagnant. The Portland Cement Association predicts that US consumption will climb to 92.5m tons in 1992 from 87.6m tons last year.

Mr John Bourdeaux, president of Blue Circle's Atlanta-based subsidiary, recalls that the cash-rich British company had the choice in the early 1980s of broadening its horizons in the UK construction industry or investing in North America. "The US is a huge market where the infrastructure still continues to grow." Mr Bourdeaux says.

The foreigners' arrival and subsequent expansion are transforming a regionally fragmented and financially weak industry, much of it family-owned, into a relatively small group of strong producers, each with a wide geographical spread of facilities.

The advantages for the companies were summed up in 1983 by Mr John Redfern, Lafarge's chairman. Explaining the merger of the French parent's Canadian and newly-acquired US interests, he said that it provided a "framework for co-ordinating manufacturing, marketing and distribution arrangements on a continental scale while retaining the flexibility to pursue business opportunities on a market-by-market basis."

Since then, a Lafarge factory in Quebec has used spare capacity to supply a high quality oilwell cement to customers in southern Louisiana. Similarly, Holderbank's acquisition of Ideal Basic will give it a presence in the mid-west and Rockies to complement its other facilities further east.

The benefits of rationalisation have spread beyond North America, as some of the European investors replace their high-cost US capacity with cheaper offshore supplies. Thanks partly to low freight rates, imports from 35 countries are expected to provide between 18 and [illegible] per cent of total US cement consumption this year. General Portland Cement, a Lafarge subsidiary, manages a deep-water port at West Palm Beach, Florida, and will soon start construction of a deep-water import terminal in Houston.

The Europeans' financial strength has also enabled them to set in train a degree of vertical integration previously unknown in the North American cement industry. They have been active buyers of other building materials suppliers, including stone quarries, timber distributors and ready-mixed concrete producers. Lafarge's acquisitions include a network of Great Lakes cement distribution terminals.

The experience of the foreign-owned companies has differed as widely as the locations, qualities, ages and sizes of the plants they have invested in.

Heidelberger Zement is widely thought to have made a mistake by paying a rock-bottom price for Pennsylvania-based Lehigh Cement. Several of the company's kilns, small by industry standards, were built more than half a century ago. On the other hand, Lehigh is now reaping the benefits of strong growth in the eastern and mid-west markets where most of its plants are located.

The slump in the oil industry has hurt producers with facilities in Texas, where cement capacity of 10.5m tons is the highest of any state other than California. Lafarge announced earlier this week that it is closing a plant in Fort Worth.

Producers with markets centred on the east and west coasts are generally faring better. Blue Circle expects its US earnings this year to be double 1985's $35m.

Strong construction activity in Ontario and Quebec helped St Lawrence Cement, Holderbank's Canadian subsidiary, to raise earnings by 45 per cent and sales by 25 per cent in the first nine months of 1986. Mr Walter Penny, president, predicts that pent-up demand for housing will keep demand high. St Lawrence's quarterly earnings have risen uninterruptedly for more than three years.

Conversely, North America has become a major contributor to the European companies' earnings. SCF, whose purchase of Lake Ontario Cement is the latest in a string of acquisitions, now derives 40 per cent of its income from North America.

Unless the dollar strengthens dramatically or the bottom unexpectedly falls out of the market, the foreign invasion is likely to continue. One industry official says that several companies still in US hands — including Kaiser Cement and Southwestern Portland Cement, the fifth and seventh biggest producers respectively—are probably on the block. Mr David Murdoch, the Los Angeles-based corporate raider, has built up a substantial minority stake in Kaiser.

If Kaiser and Southwestern also end up in the Europeans' lap, only two of the top 10 producers will still have American owners.

FILM FINANCE

Adrian Dicks reports on a B-movie maker's low-cost strategy

New World focuses on the young

"GODZILLA IS less than a work of art—please don't go and see it," advises Mr Lawrence Kuppin earnestly.

The sober-suited audience of London financial analysts do not look as though they will need telling twice. Nor do they seem at first sight likely to enjoy Vamp, Fraternity Vacation or Transylvania 6-5000—some of the other hot items of entertainment which New World Pictures has in production or in its growing library of films and videotapes.

Yet Mr Kuppin and his two co-chairmen of New World are *not unduly concerned* about the judgments of the critics, or even of the adult world in general. By concentrating on the tastes of 12 to 24-year-olds, whom they have identified as the biggest segment of the cinema audience, and by perfecting a *low-cost*, tightly budgeted production and distribution system, the team at New World believe they have hit on a virtually risk-free *formula for making steady*, if not spectacular, profits from movies.

They hope the financial community will take a more even view of the New World *than it* is wont to do with the better known names of Hollywood, as most of them seem to be committed to the classic boom-and-*bust* cycle of big budget film production.

In the first six months of this *year*, the company earned $4m, or 30 cents a share, against $1.5m or *14 cents a share a* year earlier. Sales rose 40 per cent to $68.1m from $41.6m.

A year after first going public at $7.50 a share, the company's shares have been trading in recent days at about $14¾, well below the high for the past 12 *months of about $22½ though* allowing for three-for-two stock split in February.

New World is keen to broaden its shareholder base from the present position where the three co-chairmen and other insiders control nearly *three-quarters of the stock*, and to this end management recently undertook a roadshow for European investors.

At the end of a series of mergers in the late 1970s and early 1980s, New World found itself the last survivor of a *once-flourishing* species in Hollywood, the B-picture studio. Run for many years by Mr Roger Corman, the veteran horror film producer, it was acquired in 1983 by Mr Kuppin and Mr Harry Evans Sloan, partners in a Los Angeles law firm which specialised in show business.

They brought Mr Robert Rehme in as chief executive and as a third co-chairman, a veteran of the film distribution *business* who had previously worked as president of Avco Embassy, once a competitor in the B-picture business which was effectively taken up-market by *new owners*.

Mr Rehme has put a strategy into effect with four main *elements*:

● Keeping down production costs of the films and television *series* or mini-series which New World makes itself. The company *will not invest more than* $2m-3m per film in production, plus up to about $1m in marketing, *against a recent average* cost for the better-known studios of $17m for a feature film, plus $7m for promotion and advertising.

● *Making* sure that production costs are financed externally. New World has about 80 hours *of programming under develop*ment for the three big national US TV networks, for which the networks have paid the entire cost.

● Sticking rigidly—as far as *feature films are concerned*—to the financing formula New World has set up, which removes virtually all the risk from the company itself. Balcor, a subsidary of American Express, is *raising $105m to finance* New World productions over the next five years, much of it from *limited partnerships* which Balcor will in turn sell to investors. New World is paid fees on *top* of production costs, plus a normal 10 per cent of cinema box office takings.

● Controlling distribution tightly, while keeping costs down. To Mr Rehme, distribution is the key to profits; he is *fond of pointing out that distri*butors, rather than producers, of films have usually been the survivors in the US film business.

For New World, this means *keeping a tight grip* not only on cinema showings of its films —where it typically *saves money* by picking limited, regional promotion in preference to national campaigns—but on the highly profitable video business. *This year* the company expects to have at least 70 titles available and it points out that US *ownership* of video recorders, at an estimated 35 per cent of households, *remains far below* the figure in the UK, offering what Mr Kuppin calls "explosive" growth potential.

Added to the rapid expansion of programming demand from broadcast, cable, and direct broadcasting television channel, New World sees a steady increase in sales ahead. The group recently formed a joint venture company to carry but acquisitions of broadcasting companies.

Although the emphasis *chosen by Mr Kuppin and Mr* Rehme is one of steady earnings and low risks, they cannot entirely resist the old-style Hollywood teaser—that a big box-office *success* may be just around the next corner. New World has not had a big hit yet; but is hoping that two films nearing completion, House and Soul *Man*, just *might give* it one.

As for Godzilla, a picture bought by New World for only $500,000 from Toho of Japan, Mr Rehme rubs his hands with a showman's glee. "We had the monster out on Hollywood *Boulevard looking for his foot*prints among the stars. We had him check into a smart hotel in New York. Free TV coverage both time. We even had a tie-up with Dr Pepper, with Godzilla endorsing a 'monster of a drink.' The Toho people are *still* mad at us — that picture cost us $3m to buy, promote and turn into cassettes and we've made $2m profit on it."

UK NEWS

CBI invited to join unions in drive for industry

BY HAZEL DUFFY AND LISA WOOD

MR GAVIN LAIRD, general secretary of the Amalgamated Engineering Union (AEU), invited employers yesterday to work with trade unionists in making British industry more competitive, reducing unemployment and improving living standards.

Mr Laird, the first trade union leader to address a conference of the Confederation of British Industry (CBI), said in Bournemouth: "The AEU wants companies to be successful, profitable, competitive, and to get an ever-increasing share of world markets." He said that it was not high wages that made Britain's products uncompetitive but high unit costs.

"My union wants to see the status of manufacturing enhanced. We want our technicians, our professional managers not only to be paid much more than lawyers but also to be further up the social scale than lawyers or their like."

In a speech which was well received, the AEU leader told employers that trade unions would want to participate increasingly in ensuring companies were more competitive, and that this would mean they would be seeking detailed information on company activities such as manpower planning, unit costs, transfer pricing, profits, and indeed losses.

He challenged employers in manufacturing to invest more in the future, and particularly in education and training. "Whatever party forms the next government, their very first priority must be education and training resources," which was even more important than housing, pensions, hospitals or the National Health Service.

The CBI's response is likely to be that it is always prepared to talk with the trade unions as long as there is something positive on which to concentrate.

The CBI and Trades Union Congress (TUC) meet fairly frequently, but efforts to make progress through bilateral talks on controversial issues, such as employers' desire to see more flexibility in the labour market, have tended to be inconclusive.

In his opening address, Mr David Nickson, CBI president, criticised Labour's plans for industrial relations.

● Fundamental changes in attitude and practice must be made by the majority of British companies if they are to compete in world markets in the 21st century, according to a report presented to the conference.

The report was presented by a CBI-appointed team of young managers. They studied world-wide economic and social trends over the next 25 years and defined the role the UK would play.

Mr Mark Nicholson, chairman of the group, said economic trends in the UK were awful and pointed to the nation having little or no manufacturing industry in the year 2010. "Our group simply do not accept this and believe that inherently there is no industry in which we cannot compete. Furthermore, to have a thriving economy in the year 2010 we must have a profitable manufacturing sector employing a significant percentage of the workforce." More than 40 areas for action were identified including education and investment.

Fiona Thompson reports on changing attitudes to the US

Reagan takes brunt of anti-Americanism

TO THE US Administration, last week's poll findings suggesting that America's European allies place more trust in Mr Mikhail Gorbachev, the Soviet leader, following the Reykjavik summit, than in President Ronald Reagan when it comes to arms control, were inexplicable.

To many observers in Britain, who chart the ebbs and flows of anti-Americanism, it is merely another sign of a growing, if intangible, trend in that direction.

When Mrs Margaret Thatcher, the British Prime Minister, flies to President Reagan's retreat at Camp David this weekend for talks she will no doubt reassure him that this is not the case and that the special relationship remains intact, indeed flourishes.

While this may be true of relations between Downing Street and the White House the evidence suggests that, for some years now, popular British perceptions of the US have suffered a decline.

This disenchantment appears linked more to US policies abroad than to any sudden antipathy towards individual Americans. Some observers claim it can be charted, with a fair degree of precision, to specific initiatives undertaken by the Reagan Administration which have proved controversial in the UK, although not always with the same people.

These include: the US Government's evenhandedness during the initial stages of the Falklands conflict; the arrival of Cruise missiles with no clear British control over their use; the US invasion of Grenada; the Westland and Leyland affairs and – causing most widespread criticism – the decision to launch F-111 fighters from British bases to bomb Tripoli.

"Post Grenada and Libya, the Americans see Europeans as lacking moral fibre and intestinal fortitude: i.e. wimps," said Mr Lou Kushnik, lecturer in American studies at the University of Manchester.

"This attitude is picked up by the British who feel that Americans will do whatever they want to."

On the other hand, many Britons are bewildered by the palpable esteem and affection in which the American public holds President Reagan, a man who is often dismissed outside his own country as a blundering ex-actor who alternates between offering homespun platitudes and launching dangerous adventures out of a misplaced sense of machismo.

According to Mr Kushnik, the President is viewed by his own people in much the same way the royal family is regarded in the UK. "He is above politics. Even when he's trashing the Democrats, he acts like he's above politics.

"He's promised to bring back greatness in America, pandering to the fears and hatreds that emerged out of the 1960s."

"The relationship between the two countries has coarsened," said Mr Alan Lee Williams, director general of the English-Speaking Union and a good friend of America.

He says there has always been criticism of America from the political left in the UK – the Labour Party conference, of course, voted for the removal of US nuclear bases – but he sees a more fundamental shift, with increased critical questioning across the political spectrum.

"There is now restlessness from the right, a growing feeling of 'We're no longer at the top table – why should these vulgar people be?'," he said.

Many feel the growing mood of anti-Americanism is, arguably, directed more at the American Administration, and Mr Reagan in particular, than against individual Americans. Certainly, it has its roots in history and the inexorable swing of the power pendulum in favour of America.

The underlying British resentments – a feeling of being taken for granted, frustration about the inability to decide one's own destiny – grumble along, remaining largely unstated until sparked off by an event which emphasises the US's dominant political, military and commercial role and its insensitivity to UK opinion.

At another level, there is widespread ignorance, on both sides, of the other.

"The British, as perceived from television, all have their pinkies (little fingers) out, drinking tea, and talk with terribly posh accents," said Mr Dick Bassett, head of music at the American School in London. "To them, we all have great teeth and lots of money."

Since the war, the British have liked to claim a special relationship with their American allies. But it is now questioned whether the Americans, by and large, accept the existence of any such link.

"The special relationship is touted here so much," said Mr Rushnik, "but the average American would not even be aware of it."

Some observers feel that this has been exacerbated by Mr Reagan's Californian links.

Mr Paddy Ashdown, Liberal MP for Yeovil – home of Westland Helicopters – said: "There is much more Pacific Basin (as opposed to Atlantic) thinking about the present Administration than others before."

He detects in the US a growing belief that Europe is the old world, the past and not the future. "Europe, they believe, has proved to be feckless and not reliable."

Mr George Robertson, a Labour foreign affairs spokesman, claims that growing anti-Americanism is not confined to the left in Britain.

"There is a feeling of being a client state, which offends a country like Britain which has a sometimes unjustified view of its own power," he said.

Mr Peter Temple-Morris, vice-chairman of the Tory foreign affairs committee, is concerned about Britain's complete defence dependence on the US and the consequent feelings of frustration that arise.

"These feelings are bound to come to the fore in a one-sided relationship."

"The Atlantic Alliance could break. If we criticise them, the US could say 'We'll go it alone'."

Professor Anthony King, professor of government at the University of Essex, said: "If there is greater anti-Americanism on behalf of the elite it is because Reagan's style is extremely unaesthetic and because they lack confidence in his handling of detente. They don't trust Reagan to deal intelligently and firmly with Gorbachev.

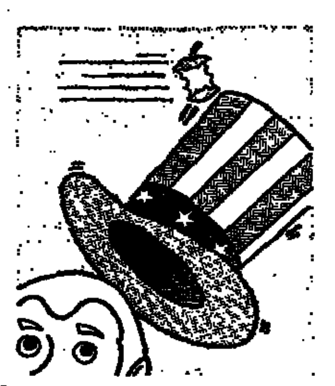
"The problem is not Americans, but the President. Partly it is cultural. We are not used to dealing with a top political leader like him. He is not, and does not behave, as we would expect. No American president has been remotely like him in our lifetime."

It is, perhaps, for this reason that individual Americans in this country frequently say that they personally have experienced no open hostility.

Mr Jean Rousseau, deputy chairman and chief operating officer of Merrill Lynch in London, who came from New York six months ago in readiness for the Big Bang deregulation of the City of London, also said he had not met any animosity, only inquisitiveness.

HOW BRITONS SEE AMERICANS*

'Enthusiastic, positive, warm, friendly, wealthy, successful, confident, organised, ambitious, efficient, eager, doers, zealous, competitive'



'Loud, brash, rude, phoney, pushy, overbearing, overly familiar, superficial, ostentatious, insensitive, immodest, boastful, money-minded'

*Taken from You in the UK: a guide for Americans living in Britain written by an American.

Britain urges EEC action on acid rain

By Maurice Samuelson

BRITAIN, often accused of being the main polluter of Europe's atmosphere, will this month urge a European-wide initiative which could remove many of the causes of acid rain within 20 years.

As current holder of the presidency of the European Economic Community, it will also call on all EEC countries to follow Britain's lead in pledging to include sulphur controls in all new coal-fired generating plant.

The package, drafted by Mr William Waldegrave, Environment Minister, is intended to counter criticism of Britain for not joining the "club" of countries which pledge to eliminate 30 per cent of their 1980 sulphur emissions level by 1993.

Under a two-stage programme, to be proposed by Britain, the EEC would aim to meet the 30 per cent target by 1995, to be followed by a 45 per cent target by 2005.

The second stage would give greater flexibility to those EEC countries such as Spain whose heavy industry is expanding and where sulphur emissions have been rising.

Britain is also pressing for the level of sulphur emissions to be calculated on a per capita basis.

The moves, to be tabled on November 24 at a meeting of EEC Environment Ministers, are the Government's latest attempt to defuse claims by its "Green" critics that it is indifferent to the damage caused by acid rain, particularly to lakes and forests in Scandinavia and the European continent.

They follow the recent decision of the Central Electricity Generating Board to spend £600m, fitting cleaning equipment to three big coal-fired power stations and to include desulphurisers in all new coal-fired power stations.

However, lobbyists such as the Friends of the Earth organisation insist on maintaining the 1993 deadline for the 30 per cent reduction and accuse the Government of simply trying to revise the system in a way which would let off Britain.

They also point out that in West Germany, desulphurisers have to be built at all existing coal-fired power stations, and that many stations are also being "cleaned up" in the US and Japan.

Call for full British membership of EMS

BY ANDREW TAYLOR

BRITAIN should negotiate full membership of the European Monetary System (EMS) without further delay, the conference said.

In one of the most significant resolutions to be passed yesterday, the conference overwhelmingly endorsed a call for Britain to start negotiating immediately to join the exchange rate mechanism of the EMS. Only a few hands were raised against the resolution proposed by Mr John Raisman, chairman of the CBI's Europe Committee.

He told delegates that full membership of the EMS would bring greater stability to sterling and ease pressures on businesses which have been trying to carve out export markets against the background of wildly fluctuating exchange rates.

Membership would mean less volatility in exchange rates, leading to lower interest rates and greater business confidence. Britain would become a fully paid-up member of the European community. The political benefits would be just as important as the economic benefits, said Mr Raisman.

Mr Tom O'Connor, of Elta Plastics, said that his company did a lot of business in West Germany. Since last year's CBI conference, the value of the pound against the D-Mark had fallen from DM 3.74 to DM 2.94.

Elta would like to keep the rate at its present levels. What it did not need was the kind of currency fluctuation switchback which made life extremely difficult for exporters.

A decision to join the EMS would put the lid on inflation and reduce interest rates, as the pound regained international respectability.

Mr John Quinton, of Barclays Bank, said the importance of exchange rates as a financial and economic guide had increased as the significance attached to M3 and Mo as monetary targets diminished.

It was crucial, therefore, to bring some stability back to sterling. The greater discipline this would impose on financial management would boost competitiveness and should also help to bring interest rates down, he said.

Mr Anthony Cowgill, of British Management Data Foundation, said he fully supported the stand of Mrs Margaret Thatcher, Prime Minister, against British membership of the exchange rate mechanism. Mrs Thatcher, he said, saw more clearly than did the Chancellor of the Exchequer, the perils of putting the country "in hock to the EMS."

Rising fuel and materials costs strengthen higher inflation fears

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturers faced a hefty increase in their fuel and raw materials costs for the third consecutive month in October, largely because of sterling's weakness against the dollar.

The rise was mostly absorbed by industry without a corresponding increase in their output prices. It strengthened expectations among independent economists, however, that the Government's forecast of only a small acceleration in retail price inflation next year will prove over-optimistic.

The Department of Trade and Industry said that its index of manufacturers' input prices showed a rise of 1.1 per cent in October. That followed increases of 1.7 per cent and 0.7 per cent in September and August, respectively.

Officials said that the 3 per cent fall in the pound's value against the dollar in October was the main factor behind the latest increase, although there has also been a more general strengthening in world commodity prices from their post-war lows earlier this year.

Manufacturers output prices in October rose by only 0.1 per cent, bringing a slight reduction in their annual rate of increase to 4.3 per cent from the 4.4 per cent in September.

Officials believe that industry has been able to hold factory gate prices relatively steady at present because it is still benefiting from previous falls in input prices.

Despite the rises in the three most recent months, manufacturers' fuel and raw material costs are still 5.3 per cent below the level of a year ago.

The expectation, however, is that just as output prices are still benefiting from the lagged effect of earlier weakness in input costs, the latest increases will begin to feed through next year.

That has led most forecasters to predict a significant upturn in retail price inflation next year.

Consumer credit demand rises

BY JANET BUSH

CONSUMER credit demand in the UK rose in September after easing slightly in August, resuming the strong upward trend which was also reflected in the continuing buoyancy of retail sales growth in the month.

New credit advanced by finance houses, other specialist lenders and retailers and on bank credit cards totalled £2.91bn in September, up from £2.68bn in August, according to figures released yesterday by the Department of Trade and Industry.

Out of this total, £1.2bn was borrowed using credit cards. A department official said the total for credit card lending was boosted somewhat as banks changed their reporting from mid-month to calendar month, meaning that the September figures cover a six-week, rather than the usual four-week period.

The total amount of credit outstanding to the organisations covered by the figures totalled £23.2bn, up from £22.8 in August and compared with £20.8bn at the end of last year.

Tough new rules for investment business

BY CLIVE WOLMAN

ALL INVESTMENT businesses, from individuals acting as advisers to the largest multinational Eurobond houses, are to be subjected to tough rules requiring them to prepare quarterly financial statements and maintain minimum amounts of capital as a cushion against insolvency.

The Securities and Investment Board (SIB), the City of London's new regulatory overseer under the Financial Services Act, yesterday issued a 108-page document of draft rules for the financial regulation of investment businesses.

They form the last, the most complex and possibly the most controversial section of the SIB's proposed rulebook which will lay down minimum standards for all investment businesses, subject to government and parliamentary approval.

Four types of investment business are identified, each of which will face different requirements. These are the trustees of unit trusts, whose main duties are to oversee the fund managers, those investment advisers and brokers of life assurance and unit trusts who handle clients' money and those who do not do so and all other investment businesses, in particular fund managers, securities firms and futures dealers.

At present, most small investment advisory firms are not subject to any capital adequacy requirements whilst the requirements on Stock Exchange members and the securities arms of banks are less detailed and more limited.

The new rules will require firms which own securities and other assets as principals to calculate the riskiness of their portfolios for the purposes of determining their minimum capital requirements. Precise figures for the "investment position risk requirement", as it is called, have yet to be determined.

Sir Kenneth Berrill, SIB chairman, said that the SIB's intention was to ensure that their requirements were the same as those laid down by other supervisory authorities, in particular the Bank of England and the Building Societies Commission.

All firms would be required to meet the requirements at all time, he said. The proposals were necessary to reduce the risk that firms handling the public's investments would become insolvent and was an essential part of the back-up for any investor compensation scheme. The new rules would be enforced by on-the-spot checks, by quarterly financial statements and by annual audited reports.

Teachers' pay talks falter

By David Brindle

THE LIKELIHOOD of the Government acting to impose a pay settlement on teachers in England and Wales hardened last night after both the local authority employers and the teaching unions split among themselves in negotiations in Nottingham.

Leaders of the minority Conservative group of employers looked set to disown terms put to the unions yesterday and were threatening to pull out of the talks.

Withdrawal of Conservative backing for a negotiated settlement would give Mr Kenneth Baker, Education Secretary, grounds for legislating to impose a pay deal and a tighter employment contract for teachers.

Tyneside holds its breath over shipyard jobs

Ian Hamilton Fazey explains why the industrial relations mood at Swan Hunter shipyard could determine the employment outlook for the region.

A FEELING of trepidation is not easily disguised at Swan Hunter, the warship building specialist which was privatised by a management buyout last January. The last 130 of 825 redundancies will be enforced in December and the question worrying the shipyard and the north-east of England is whether the people concerned will go quietly.

There is a lot more at stake than Swan Hunter's reputation for having achieved a new industrial relations reality in only a few months. There are worries that a yard stoppage might put off the shipyard's leading customer, the Government, which is now considering more orders. These are so important to the north-east that the whole region is holding its breath too.

It is easy to see why. Between 40 and 60 per cent of a warship is built away from the slipway nowadays, with major parts of a vessel transported to the slipway for final assembly into the vessel. Last year 70 companies, 23 of them local, each got orders worth more than £50,000 from Swan Hunter. North-east suppliers got 41 per cent by value of all orders.

The multiplier is between three and four jobs outside for every one at Swan Hunter. The effect of the last five years, then, when jobs at the shipyard have fallen from 8,787 to a projected 3,672 at the end of December, is probably up to 18,000 jobs lost in other companies.

When the employment pattern of other large manufacturers on Tyneside is taken into account, the picture becomes even more disturbing. There are now only 26 manufacturers in the sub-region employing more than 500 people each. In 1981 there were 41.

The two big groups combined – Swan Hunter and Northern Engineering Industries (NEI) – now employ fewer than either did as individual businesses less than 10 years ago. On Tyneside there are 73,017 out of work, with the impact worse on the south bank of the river, where the unemployment rate is 26.2 per cent, compared with 18.5 per cent in Newcastle. The national average is 11.7 per cent.

Swan Hunter has had to add to unemployment this year because the order it was expecting in the summer for an auxiliary oiler replenishment vessel (AOR) for the Royal Navy went instead to Harland and Wolff in Belfast. There unemployment is as bad but political problems are worse and the lobbyists have a voice in the Cabinet.

The Tyneside yard would almost certainly have built a less-costly ship and – with the constraints of operating in the private sector – have kept much nearer budget. The management admits privately to naivety in relying on the market forces of such commercial considerations to win the order.

However, its unconcealed anger at what happened has at least forced tighter review and cost control procedures on its rivals, with a threat of lost orders in the future if they do not perform.

The effect of private-sector life has transformed life at Swan Hunter. Before, the unions knew there were resources at British Shipbuilders to be plundered if they could push hard enough. Local management was not the last line in bargaining battles. Now it is. Management is managing and the unions have responded to the knowledge that the people across the table from them really can make a final offer.

Reality has also dictated who should lose their jobs in the wake of losing the oiler order – 450 steel workers, 115 outfitters, 70 managers and supervisers and 190 technical, clerical and quality assurance staff. Most of the technical jobs have gone from the formerly 450-strong design unit now largely surplus to requirements.

Nearly everyone involved has, so far, accepted the situation. Where there has been friction has been between the steelworkers – members of the boilermakers' union – and the outfit trades.

With so much of ship now made outside the yard, what Swan Hunter needs most are skilled outfitters willing to work flexibly.

Investigators double tax haul from the black economy

BY JOHN HUNT

THE AMOUNT of money recovered by the Inland Revenue from tax evasion in the "black economy" has more than doubled according to figures published yesterday by Sir Gordon Downey, the Comptroller and Auditor General.

These show that the compliance units set up by the Inland Revenue two years ago to investigate the problem recovered £17.2m in the last financial year, 1985-86, compared with £7.9m the previous year.

The trends are contained in the latest Appropriation Accounts published yesterday, which showed the final outturn of figures for various government departments for 1985-86.

They also show that revenue from tax and excise duty for that year were considerably up on the previous year and slightly more than expected by Mr Nigel Lawson, Chancellor of the Exchequer, at the time of his budget in March.

The compliance units were given a roving commission to investigate the black economy, which is made up of people, some drawing unemployment benefit, who failed to declare income from work they do privately.

In total, the yield during the year from all investigations and audit work by the Inland Revenue rose to £540.2m from £479.8m the previous year.

Tax offices, including the compliance units, recovered £314.3m, the Inland Revenue inquiry branch £55.5m, pay as you earn (PAYE), audits £78.5m and special revenue offices £91.9m.

Since 1976, yields from investigations have increased six-fold. Between 1982-83 and 1985-86 the percentage of cases examined which yielded additional tax went up from 89 per cent to 91.8 per cent. In the same period the number of cases in which the person investigated suffered a penalty or had to pay interest rose from 42 per cent to 53 per cent.

Despite the success in the total sums recovered from tax evasion, however, the actual number of cases investigated fell to 64,458 in 1985-86 compared with 70,606 the previous year. This was due to the loss of experienced staff and the amount of time taken up clearing arrears of work.

Net receipts in 1985-86 for tax revenue were £5.1bn (10.1 per cent) higher than in the previous year and £220m (0.4 per cent) higher than the revised forecast of £55.3bn in the budget.

The picture was similar for Customs and Excise where net receipts were £1.8bn (5.3 per cent) higher than the previous year and £128m (0.3 per cent) more than the Chancellor's revised forecast of £37.3bn.

The Treasury ended up with a surplus of £6.1m from the money granted for the manufacture of coinage.

TV group in row over media market closure

BY RAYMOND SNODDY

INDEPENDENT television (ITV) and film producers yesterday accused a television company of a "cynical abuse of monopoly power" over the closure of the London Market, the annual international market where programmes are bought and sold.

It was announced last week that this year's London Market which finished at the weekend in the Gloucester Hotel, would be the last.

The closure announcement came as Television South, the ITV contractor for south and south-east England, agreed to acquire a controlling stake in Button Design Contracts, the company which has a majority stake in the London Market. Earlier this year TV South bought the Midem organisation in France which runs a much larger autumn programme market held in Cannes.

The Independent Programme Producers Association (Ippa) yesterday accused "a British company of closing down Britain's only media market in favour of a French-based operation."

Mr Paul Styles, director of Ippa said: "We are very concerned that small independents will be excluded from attendance at overseas markets because of cost and ancillary expenditure."

Ippa plans to write to the Government committee now looking into the future role of independent producers as part of the review of the Peacock Report on the future of broadcasting about the closure decision.

The Association of Independent Producers (Ipa) yesterday expressed concern that "a single company is able to use its financial strength without reference to the interests of those smaller companies who depend on the London Market for access to the international marketplace." The Ipa did, however, acknowledge that the London Market had never been financially viable. Both groups of independents are looking at the possibility of setting up a new market in London.

TV South says that even before it approached the Button organisation there had been plans to change the form of the London Market.

In its place the company will set up London Office International a permanent office to offer international film, television and video producers and distributors a London base.

TV South has also made it clear it will offer support for small independent producers who might not otherwise be able to attend the large Mipcom market in Cannes.

Executive pay 'stays on upward trend'

BY CHARLES LEADBEATER

THE STRONG increases in executives' pay recorded over recent months are likely to continue into 1987 provided there is no dramatic drop in company profitability, according to a report published today.

Income Data Services' (IDS) Top Pay Unit says that most surveys of executive pay have found that profitability is the dominant factor in pay awards, while the rate of inflation has little influence.

The most recent survey of executive pay by Inbucon Management Services found that on average awards were running at 9.1 per cent, although for managing directors of companies with turnover of more than £500m the average increase was 17.1 per cent.

IDS expects the growth of performance-related pay to continue, although it gives a warning that it has come into fashion while profits have been on a rising trend.

Uncertainty over the timing and outcome of the next general election could have a considerable impact on companies' salary decisions next year.

Xerox plans opening of European research unit

BY DAVID THOMAS

XEROX, the US electronics group, is to open its first European research centre at Cambridge, England.

The research centre will focus on issues to do with human-computer interaction, including some areas connected with artifical intelligence.

The centre will be co-ordinated by Xerox's US research centre at Palo Alto, California.

Initial investment in the centre will be £1m. It will employ up to 15 senior scientists when it starts operating next year. The company intends to increase both its investment in the centre and the number of scientists working there.

Mr Roland Magnin, managing director of Rank Xerox, Xerox's international subsidiary, said the centre would allow the company to bring to Europe "the kind of skills and new inventions which have been developed in the US" and would also help Xerox "by tapping into the UK's considerable systems expertise."

Electronics 'faces Labour boost'

BY DAVID THOMAS

A LABOUR government would be good for the UK electronics industry, according to the latest electronics review from London analysts at Chase Manhattan, the US bank.

The review is unusual in spelling out what a number of City of London analysts and executives in electronics companies are saying in private.

"The free market policies of the Tories over the last few years have been terrible for the electronics sector," the Chase Manhattan review says.

"The Tories have been bad for the sector due to their attacks on preferential purchasing policies and emphasis on consumer-led growth," the review argues.

The review says: "Put crudely, a Labour administration would reverse this scenario in a way which would be particularly attractive for the electronics industry."

It justifies this claim by pointing to a number of Labour's policies:

- Defence. "The cancellation of Trident would free considerable resources for Ministry Of Defence spending on conventional electronic weaponry."

UK electronic companies derive hardly any benefit from Trident, the review argues.

- Social ownership. Returning British Telecom to public control would allow a Labour government "to arrest the rapid increase in BT's purchases of equipment from overseas suppliers."
- Public purchasing. "A Labour administration would also attempt to swing purchasing policies for electronic capital equipment towards UK manufacturers across the whole of the public sector."
- Exchange rates. Overseas sales account for a much larger share of turnover in the electronics sector than in most other sectors, according to the review.

LAW REPORT

Insurers' guarantee bond is not insurance

THE ZUHAL K

Queen's Bench Division (Admiralty Court): Mr Justice Sheen: November 5 1986

WHERE AN insurance company issues a bond to a P & I club guaranteeing payment of claims made against its members, the bond is a guarantee, not insurance; and the company may therefore seek indemnity from a club member on whose behalf payment is made if the bond was given at his request or, if not given at his request, if it was in his interests that it be given and it is just and reasonable that a right of reimbursement should arise.

Mr Justice Sheen so held when giving judgment for the plaintiffs, owners of cargo carried on the Selin and Home Insurance Co Ltd, on their claim against the Turkish owners of the Selin and the Zuhal K for indemnity in respect of a payment made under a guarantee bond.

HIS LORDSHIP said that on March 19 1983 Selin arrived at Shoreham where damage to its cargo of grapefruit was discovered.

The Selin proceeded to Rotterdam and was arrested by the cargo owners. It was due to sail the following day to load at Antwerp and the shipowners therefore wanted it released immediately.

The ship was entered with protection and indemnity (P & I) club, Oceanus Mutual Underwriting Association (Bermuda). The cargo owners wanted security in the sum of £30,000, but their solicitor was not willing to accept a letter of undertaking from Oceanus.

In 1980 Oceanus had made an agreement with Home Insurance for the provision of bond guarantees. Accordingly it was able to make an agreement with the solicitor for Selin's release. Under the guarantee Home irrevocably undertook and guaranteed to pay the cargo owners any sum due in respect of the claim.

The shipowners formally offered £23,560 in full and final settlement. It was accepted by the cargo owners.

On August 6 1984 the shipowners wrote saying they were unable to obtain exchange control permission to remit funds. On August 7 Home Insurance sent a cheque for £23,560 to the cargo owners.

In the present action Home sought to recover the £23,560 on the basis that it was a guarantor with a right of indemnity against the shipowners as principal debtors.

If Home, at the shipowners' request, guaranteed payment of the debt, the law implied an undertak*ing by the shipowners to indemnify* in respect of any sum paid under the guarantee.

In defence, the court was invited to treat the bond scheme as an extension of the insurance cover provided by Oceanus.

Mr Longmore for the shipowners submitted that the bond scheme provided by Home was a benefit to Oceanus and its members in that the overall cost to Oceanus of putting up security would be less than it would have been had the cargo owners called for a bank guarantee.

He further submitted that neither Oceanus nor Home, nor the shipowners, ever intended that Home should have any rights other than its rights against Oceanus under a counter-indemnity.

The bond scheme was introduced in 1980. Home was a member of the American Foreign Insurance Association. In consideration of the Afia, through Home, having executed bond guarantees, Oceanus undertook to indemnify Home against all claims under any of the bonds.

That counter-indemnity gave Home a right of action against Oceanus, but recognised that Home had a right to recover from the shipowners as principal debtors.

There could be no doubt that the agreement executed by Home in favour of the cargo owners was a guarantee, not a contract of insurance.

Contracts of guarantee were between persons who were in the positions of creditor, debtor and surety. The surety assumed the obligation to make good the default of the principal debtor, for a fee or without a fee. There was not usually any bargaining between guarantor and creditor; nor was a payment made by the creditor.

An insurer, on the other hand, engaged to pay a loss incurred by the insured in the event of a certain contingency occurring. In form and in content the bond given by Home was a guarantee.

If it had been a policy of insurance Home would have been expected to enquire into the risk. Furthermore, it would not have required Oceanus to give a counter indemnity. The wording of the counter indemnity was wholly inconsistent with the notion of a policy of insurance.

A copy of the bond was sent to the shipowners, stating that it was agreed at their request. They did not deny it. If, however, the bond was given without their request, the plaintiffs contended that Home was nevertheless entitled to recover because it could show (1) it was compelled by law to make the payment; (2) it did not officiously expose itself to liability; (3) the payment discharged a liability of the shipowners (see Law of Restitution by Goff and Jones 2nd ed p 244).

It was contended that those elements were established. As to (1), Home was compelled to pay by reason of the bond of guarantee. As to (2) Home did not officiously expose itself to liability because it was asked by Oceanus to undertake it. As to (3), it could not be disputed that the shipowners were liable to pay damages to the cargo owners under the settlement.

The only answer advanced by Mr Longmore was that the transaction was carried out for the benefit of Oceanus and was without the shipowners' consent.

In Owen v Tate [1976] 1 QB 402.409 Lord Justice Scarman said "the fundamental question is whether in the circumstances it was reasonably necessary in the interests of the volunteer or the person for whom the payment was made, or both, that the payment should be made – whether in the circumstances it was just and reasonable that a right of reimbursement should arise."

If that question were asked there could be no doubt that it was reasonably necessary in the interests of the shipowners that the guarantee should be given. Pursuant to that guarantee, payment had to be made. It was clearly just and reasonable that a right of reimbursement should arise.

Judgment for the plaintiffs for £23,560 and interest.

For the plaintiffs: Michael Dean QC and Elizabeth Blackburn (Ingledew Brown Bennison & Garrett). For the defendants: Andrew Longmore QC and Elizabeth Birch (Hedleys)

By Rachel Davies
Barrister

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Sitting pretty in Bonn

ON THE face of it, Mr Helmut Kohl, the West German Chancellor, is sitting pretty with the next federal general election only 2½ months away. The stinging defeat of the Social Democratic Party (SPD) in the Hamburg Land elections, in what normally is one of its strongholds, appears to rule out any possibility that Mr Johannes Rau, its champion, will be able to wrest the Chancellorship from Mr Kohl in January.

Apparently, too, the leap forward taken by the Hamburg Christian Democrats (CDU) and the lessons to be drawn for federal politics are a healthy symptom for the stability of a key country of western Europe. At the most simple level that is saying no more than that no change in Bonn makes for stability, but there is more to it than that.

The SPD has withdrawn markedly from the established West German and western European consensus on the issue of nuclear power, both civil and military. It has declared itself in favour of phasing out the use of nuclear power stations in West Germany within 10 years. Moreover it has called for the withdrawal of US nuclear weapons from West Germany. It has even joined with the Communist rulers of East Germany in asking for the withdrawal of nuclear weapons from a corridor or zone extending about 95 miles on either side of the East-West divide in Europe.

Overstated victory

Given the present imbalance between the conventional forces of Nato and the Warsaw Pact—an imbalance that no foreseeable government in Bonn would wish to lessen by enhancing the Bundeswehr-SPD ambivalence about nuclear deterrence is potentially dangerous. The fact that the two superpowers have been talking to each other about thinning out nuclear arsenals is insufficient justification for any one ally to seek to go it alone.

If the SPD leadership believed that it could gather support from the neutralist and environmentalist lobbies by taking the attitude that it did to nuclear questions, the Hamburg election has proved these tactics to have been inadequate. The Greens, who radically reject nuclear power and weapons, advanced strongly, securing more than 10 per cent of the votes cast on Sunday. The implication is that these matters will continue to agitate German minds.

It follows that one must not overstate the victory for the cause of stability which the Hamburg result represents. The ferment which caused the Greens to emerge so strongly in the German-speaking countries continues. So does the instability at the fringe which of late has caused terrorism to re-emerge in West Germany.

Identity crisis

These were not, of course, the issues upon which the Hamburg election was primarily fought. Local problems militated against the incumbent SPD mayor, Mr Klaus von Dohnanyi. There had been several scandals in the local administration. Changing industrial patterns and shifting trade routes had caused high unempoyment in Hamburg factories and docks, even though the city remains a prosperous corner of a prosperous country.

Perhaps most immediately the near-bankruptcy and hurried sale of Neue Heimat, the housing concern owned by the West German trade unions, had undermined public confidence in the traditional West German left as represented by the trade unions and their friends in the SPD.

In addition, the SPD reaped no visible benefit from firmly basing its electoral strategy upon the undoubted personal apeal of Mr von Dohnanyi. It is a poor omen for the Social Democrats' federal campaign, given that only a few months ago Mr Rau was thought to be their greatest electoral asset.

Mr Rau's popularity remains greater than Mr Kohl's. But in the opinion polls, the SPD has been losing ground to the Chancellor's CDU. Personal appeal seems insufficient to give the SPD a grip on the political centre without losing ground at the fringe to the Greens. A more coherent set of policies is needed if the SPD is to escape from its identity crisis.

Polling day at the Stock Exchange

PUDDLE DOCK is the improbable location for what is planned to be the last formal proprietorial meeting of the 5,400 members of the old-style Stock Exchange. This evening in the Mermaid Theatre, the chairman, Sir Nicholas Goodison, will lead a debate on the two resolutions which are designed to turn the Exchange into a limited liability company and to transfer proprietorship from individuals to corporate members.

A poll will be held tomorrow and on the basis of proxies received up to the closing date last Thursday the Exchange is said to be "quietly confident." But victory is not yet assured. In a roughly similar poll in June 1985 the proxies showed 79 per cent approval, clearly ahead of the required three-quarters majority of those voting. But in the event enough new votes were received, or old votes changed, after the extraordinary meeting for support to slip to 73.6 per cent.

The constitutional changes are designed to pave the way for a merger with Isro, the International Securities Regulatory Organisation, to form a combined regulatory body, the Securities Association, and a single recognised investment exchange, the International Stock Exchange.

Logical plan

The merger is not being directly voted upon tomorrow. That is a matter which will be within the authority of the Council. But the deal with Isro is very much upon the minds of the membership.

Nearly all members appear to think that the plan to set up an international exchange is logical. Those within the biggest firms can argue that the proposals are a logical extension of the individual deals which their organisations have done with British and foreign banks and other financial institutions. More than 50 member firms of the London Stock Exchange are already members of Isro.

Members in smaller firms may find the attractions less direct. But they can often see the appeal of the internationalisation, so long as there are safeguards for local stockbroking concerns.

However, the terms of the deal have received less universal acclaim. Demutualisation is always a tricky process, with the existing proprietors of the business unclear on how to value ownership, and this case is no exception.

At one extreme, it could be argued that Stock Exchange members have simply been trustees of a national asset, for the custodianship of which they have been more than amply rewarded, and that it should be handed on for nothing. At the other, the suggestion is that the assets of the exchange should be sold at as near market prices as can be achieved.

But the Exchange's solution is open to criticism. It is being presented as a compensation payment of £10,000 per member, worth £54m in all, but the full value can only be realised by a member of 60 or more. For a member aged, say, 40 the present value of the compensation is only just over £1,000; at 50, perhaps £3,000. There is no inflation protection, so a serious burst of inflation over the next few years could effectively wipe out the value for younger members.

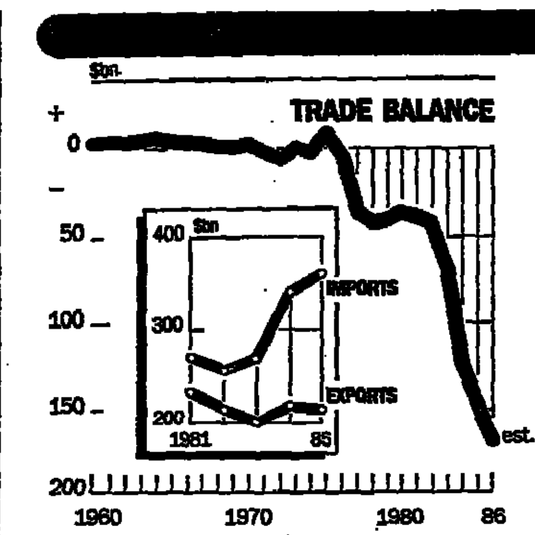
Monopolist attitude

Part of the opposition to the Exchange's proposals is therefore coming from members who feel that Isro could yet be persuaded to make a more generous offer to gain the benefit of the market's assets, systems and goodwill. But the Exchange's Council has said that there cannot be any other proposals along these lines. And Scottish members are said to feel that £10,000 is too much.

There are also those, especially in smaller firms, who feel that a separate international equity exchange, if established by a jilted Isro, would not be the disaster for Stock Exchange members that is being claimed by the Exchange's leadership. It is being pointed out that the Exchange's monopolist attitude has led to the development of an information system—Topic — which is now incapable of providing a full service for a number of months ahead. A more plural approach would prevent mishaps of this kind.

Different views are inevitable when an organisation has as many as 5,400 individual proprietors. It is characteristic that the Stock Exchange's members should argue about money. But it is in the interest of the users of the London capital markets that the merger with Isro should go ahead. For Stock Exchange members to delay or prevent that development in tomorrow's poll would be to take narrow self-interest to an irresponsible extreme.

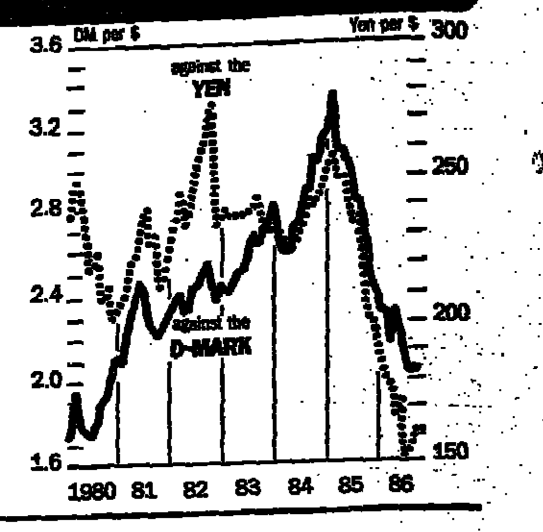
US TRADE AND THE DOLLAR



	% SHARE OF US IMPORTS 1985	1981	% SHARE OF US EXPORTS 1985	1981
CANADA	21.0	18.2	25.0	19.4
JAPAN	19.4	14.2	10.3	9.2
EEC	18.4	15.6	21.1	21.6
WESTERN HEMISPHERE*	13.6	14.7	14.3	18.1
TAIWAN, S. KOREA, SINGAPORE, HONG KONG	11.0	7.8	7.5	6.1
OPEC	6.7	18.8	5.3	8.9
W. GERMANY	5.7	4.3	4.1	4.4

* Mainly Latin America

SOURCE: US DEPARTMENT OF COMMERCE



Now for the hard part

By Michael Prowse

"The doubling of manufactured imports into the United States since 1980 and the complete stagnation of US manufactured exports have produced a sense of frustration in the US and a political receptivity to protectionism that is without precedent in my lifetime."

PROFESSOR Martin Feldstein, President Reagan's former economic adviser, delivered this rather grim warning in June. Some may now be tempted to regard this as unnecessary scaremongering.

After all, the dollar has fallen by about 40 per cent against the D-mark and yen from its 1985 peak. The August and September US trade figures were better than expected. Mr James Baker, the US Treasury Secretary, has concluded another showy international agreement—this time with Mr Kiichi Miyazawa, his opposite number in Tokyo. These are surely all signs that the US current account is on the mend. And if that is so, the pressure for protectionist legislation should die down, despite the Democratic Party's success in the mid-term elections.

Unfortunately, this may be wishful thinking. The August and September trade figures—deficits of $13.3bn and $12.6bn—looked reassuring only against July's ghastly $18bn shortfall. It is as yet unclear whether the dollar's decline will achieve more than a small improvement in the trade deficit, which this year is expected to be a record $170bn.

One reason for pessimism is the deep-seated nature of America's trade problems. US business has had trouble competing for at least a decade: merchandise trade (see chart) went decisively into deficit as long ago as 1976. US vulnerability was masked at first by a strong invisibles account (which partly reflected interest on foreign assets) and a weak dollar during the Carter years.

The US could be likened during the 1970s to a family living well because it was able to supplement its wage income by spending the interest on its capital. In the 1980s, under President Reagan, America stepped up its spending—partly because of massive tax cuts—and squandered the capital. The US is now borrowing to pay the interest on past borrowings—a state of affairs that cannot last indefinitely. By the end of the decade, Mr Reagan's deficits may have added close to $1 million million to US external liabilities.

The scale of the trade deterioration is not easily appreciated. In the past decade, merchandise imports have grown twice as fast as exports. Between 1981 and 1985 exports actually fell by 10 per cent in dollar terms, while imports rose by a third. By 1985 the US was in the extraordinary position—surely unprecedented among large industrial countries—of having a trade deficit equivalent to almost 70 per cent of its exports.

US business faces a gargantuan task. Because the US is now a debtor nation, it must, like the Latin American borrowers, at some point generate trade surpluses if it is to prevent debt ballooning out of control. The medium-term task is not just to eliminate the $170bn trade deficit but to turn into a small surplus. The arithmetic of compound interest means that the longer the adjustment is postponed, the larger the eventual surplus will have to be.

The pleas for further protection, following restraints on steel, textiles, cars, semi-conductors and much else, suggest that US companies are doubtful of their capacity to meet the challenge. Is Mr Baker doing enough to help them?

There are two general steps the US can take to improve its trade position: bring down the dollar and ensure that the US grows more slowly than the rest of the world. On exchange rates, Mr Baker has had mixed results. The declines against the D-mark and yen look impressive but only set against the dollar's excessive strength earlier in the decade.

Many economists believe that, while a temporary halt may now make sense—to allow companies to adjust to past changes—substantial future depreciation will be necessary. For example, Mr David Morrison, international economist at Goldman Sachs, thinks Japanese industry is "extremely competitive" at Y160 to the dollar and that trade balance might require an "equilibrium" rate as low as Y120-Y130.

Such a calculation would reflect purchasing power parities, the US's need to service its rapidly rising debt and the fact that its long-run productivity growth is considerably lower than Japan's. Similar calculations for West Germany suggest that an equilibrium rate might be DM 170-180 to the dollar.

The point increasingly stressed, however, is that the dollar's value against the D-mark and yen is of limited interest. Last year (see table), Japan accounted for only 19.4 per cent of US imports and 10.3 per cent of its exports. The comparative figures for West Germany were 5.7 per cent and 4.1 per cent. Even if West Germany is regarded as a proxy for the EEC (which is wrong because sterling is not pegged to the D-mark), it is still of limited relevance: the EEC accounts for only about one fifth of US imports and exports.

It makes no sense for Mr Baker to focus exclusively on Japan and Europe when three other blocs — Canada, Latin America and four developing Pacific Rim economies (Taiwan, South Korea, Hong Kong and Singapore) account for nearly half of US exports and imports. Since February 1985, the US dollar has appreciated substantially in real terms against several Latin American currencies and remained roughly static against the leading Pacific Rim currencies (see table).

Curious though it may seem, there is no reliable index of the dollar's overall real value. The trade-weighted indices compiled by the IMF and Morgan Guaranty include only the currencies of large OECD countries. Broader indices recently constructed by the Federal Reserve Bank of Dallas, Manufacturers Hanover, the New York bank, and others better reflect US trade flows but fail to take account of the high inflation in parts of the developing world.

The choice is between inflation-adjusted indices with the wrong weights and unadjusted indices with the right weights. The only safe conclusion is that the dollar is still stronger than it looks.

A revaluation of non-yen Pacific Rim currencies would make sense for the US and Mr Baker is likely to push for it; if they demur, he can always threaten an extension of "voluntary" export restraint agreements. But a devaluation of the dollar against the Canadian and Latin American currencies looks less rational.

Canada has been a buoyant market for the US: exports have grown more strongly than in either Europe (where they contracted between 1981 and 1985) or the Far East. At the same time, Canada's penetration of US markets has proceeded much more slowly than that of the Pacific Rim. This does not suggest that the Canadian dollar is grossly undervalued against the US unit.

Latin America is a different story. In 1981, it was twice as important an export market as Japan and four times as important as West Germany. Since then, US exports to the region have fallen by nearly 30 per cent—but not primarily because of dollar overvaluation. The culprit here is the debt crisis.

CHANGE IN REAL VALUE OF DOLLAR*
February 1985 to October 1986

	%
Taiwan	−4
South Korea	+4
Singapore	+3
Hong Kong	+1
Mexico	+46
Brazil	−4
Venezuela	+54

* Based on changes in relative consumer prices.
Source: Lloyds Merchant Bank

Indeed, these figures understate the damage the debt crisis has done to US trade. Between 1976 and 1981, the US external account was propped up by massive growth of exports to Latin America—a near tripling in US dollar terms—supported, of course, by cheap credit from the big banks.

The Democratic staff of the Joint Economic Committee of Congress has argued convincingly that the US approach to the debt crisis, especially in the early years, exacerbated the problems. By taking a tough line on debt restructuring and relief, the US forced Latin America to cut back unnecessarily hard on its imports.

"By sacrificing their sales and jobs so that debtor nations can fully meet all interest payments," argue the Democrats, "US exporters have been subsidising the bad lending policies of US and other money centre banks. To add insult to injury, US workers and exporters are also bailing out European and Japanese banks."

The "Baker plan," outlined in Seoul in 1985, was a partial response to this sort of criticism. Its recommendation of a modest increase in commercial lending to the debtors was designed to allow them to grow faster and afford to import more from the US. However, the funds have not been forthcoming, countries like Brazil remain close to autarky, and the US continues to run a large and unnatural trade deficit with its poor neighbours. To find a way of helping the debtors to finance higher imports should be a priority for the US.

What of the other strategic route to a smaller US trade deficit: the opening up of a growth differential with the rest of the world? Again, Mr Baker has had at best mixed results. Neither Europe nor Japan have responded generously to his entreaties. Their deviations from austere fiscal and monetary policies have been minuscule.

The arithmetic on growth is stacked heavily against the US. Lloyds Merchant Bank, for example, calculates that, at present exchange rates, the US would have to grow ½ a percentage point slower than the rest of the world just to hold its current account deficit steady. To achieve even a very modest $30bn improvement over five years (which would still leave the deficit above $100bn), the US would have to grow at only 1½ per cent a year, while the rest of the world grew at 3 per cent.

Why is this? Mainly because US consumers apparently have a much stronger taste for foreign goods than foreigners have for US merchandise. According to Lloyds, if US GNP rises by $100bn (in constant prices) imports will go up by around $22bn; whereas if non-US OECD GNP rises by the same amount, US exports are likely to go up by only about $10bn.

The very size of the US (40 per cent of the OECD) means that it would have to grow much slower than other large economies in order to make much of a dent in the trade deficit. Yet in the run-up to a US presidential election, what chance is there that the White House would voluntarily slow down the US economy, let alone allow a recession?

President Reagan has explicitly rejected that option of combining tax reform with tax increases. Indeed, many experts believe that his fiscal reforms will result in yet lower tax receipts, as taxpayers adjust their affairs in the light of the new regulations. If so, the White House will have delivered a covert stimulus.

US observers also fear that the Gramm Rudman mechanism for reducing the Federal budget deficit will not be allowed to operate properly in the pre-election period. A significant tightening of US fiscal policy does not therefore appear plausible. It thus follows that a significant growth differential with the US can be opened up only if other countries are prepared to throw caution to the wind and strive in the short term for growth rates of 5 per cent or so, which were regularly achieved in the 1960s and 1970s.

The continuation of US deficits on anything like the present scale is in nobody's interest: they leave continually open the possibility of a destabilising crisis of confidence in the US. Any policies, therefore, which promise to bolster the US trade account deserve a sympathetic hearing.

One option insufficiently discussed is the possibility of more adventurous financial policies on the part of Japan and other surplus countries. If they were more willing to make loans and investment in the Third World (where returns ought to be much higher than in mature economies), these debtors would be able to follow normal trade patterns and import more from the US.

But most important, America's trade partners, especially those in the Pacific Rim, need to recognise that resistance to dollar depreciation is likely to be self-defeating. Since the US must eventually balance its books, delay is liable to result either in more trade barriers today or a still larger devaluation tomorrow.

Men and Matters

Yale missed the mail

There was a distinct lack of enthusiasm at Yale back in 1965 when undergraduate Fred Smith submitted a paper claiming to have spotted a gap in the market for an express parcels airline which would operate right across the US.

The paper got what Smith calls "a gentleman's grade"—though the story that he was told by his professors he would never make a businessman is apocryphal.

Nearly 20 years later his company, Federal Express Corporation, is the world's biggest express air parcels carrier, with forecast turnover this year in excess of $3bn.

Smith freely admits that he got the company off the ground — and he apologised for the pun — by exploiting a loophole in aviation regulations that had been intended to promote regional passenger services.

The battle for deregulation in the US has long since been won, but Smith shows increasing exasperation with the reluctance of the EEC to follow suit.

This week sees the merger of Federal's UK operations with the Lex Wilkinson road distribution operation, which was acquired by Smith earlier in the year. The new grouping looks like being the catalyst for a sustained campaign for deregulation in Europe.

Smith gives a warning that societies which fail to adapt to changes in trade are bound to fail. And he claims that bilateral air transport treaties, of the kind so beloved by a number of west European nations, fail to recognise the strength of market forces.

Perhaps Smith should send a copy of his 1965 Yale paper to the transport ministers of the EEC member states—together with a copy of Federal's latest annual report.

Wheeler dealers

Today's conundrum—What is the connection between a furious motorist in the City of London and a ransom note on the North - West Frontier? Answer: the Wheelok.

The notorious clamp which immobilises the cars of London's illegal parkers has secured its first export order for Middlesbroughbased manufacturers, Lionweld. Agents Bell Engineering have just shipped more than 40 to the authorities in Pakistan's still-rugged frontier province.

The clamps are to be used for different purposes in Pakistan. The car-owners themselves fit the Wheeloks—to prevent their cars from being driven away by hard-up Pathan tribesmen who have been demanding ransoms for the cars' return.

NO work

One meeting that did not take place at the CBI conference in Bournemouth on Sunday was that organised by the Charter for Jobs, the impeccably respectable body that has been campaigning against high unemployment.

John Smith, Labour's shadow Secretary for Industry, flew from Scotland to address it. But there was an audience of only one, so the meeting was abandoned. Smith left Bournemouth yesterday, not much impressed by the CBI.

Fertile gardens

Harold Ballard, the crusty 83-year-old owner of one of North America's best-known ice hockey teams, has added some spice to the Toronto stock exchange in recent days.

Speculation about his health has lifted the share price of Maple Leaf Gardens, a company whose assets include the Maple Leafs team and their home arena in Toronto, from C$140 to a peak of C$176 in just three days.

The Gardens — as the company and the arena are usually known — is now one of the highest-priced shares on the exchange.

Investors appear to be gambling that Ballard, a man with a renowned appetite for Mars Bars and ice cream, will retire soon. That would clear the way, it is reckoned by the punters, for the sale of his 78 per cent stake in the Gardens, and possibly of its valuable real estate assets.

In spite of a spell in hospital earlier in the year, Ballard shows no signs of bowing out. Notoriously dogmatic in his views (he barred the Russian hockey team from playing at the Gardens) Ballard is determined to stay on until the Leafs next win the coveted Stanley Cup—something they last achieved in 1965.

Meanwhile, the surge in the Gardens' share price has added a cool C$15m to the value of his stock.

Morning view

They took off all the pullovers and threw away the red sofas at BBC Breakfast Time yesterday in the cause of a greater commitment to news and information in the early morning.

In part, the change is designed to make Breakfast Time fit better with the rest of the BBC's daytime schedule. But Peter Pagnamenta, the BBC head of current affairs, also wants to produce something "a bit less vapid."

The softly-softly approach, he says, was fine to establish the habit of watching breakfast television in Britain, but now it is time to make the programme essential, rather than optional, watching.

Detailed BBC market research has shown that people want more information — a briefing for the day ahead. Support for the finding comes from the fact that audience figures do jump on big news days.

The programme also plans more coverage of City stories and information for small investors.

For Frank Bough, Breakfast Time's presenter, the change means a desk for him to sit behind, a jacket — "much cooler than a pullover" — and a 3 am rather than a 4 am start.

Pagnamenta accepts that the new approach is unlikely to increase the audience of about 1m at once. But by offering a distinct alternative to TV-am, he hopes to win a large audience in the long run by attracting new breakfast-time viewers.

Gunn's stamp

Life is not just a series of takeovers for irrepressible British and Commonwealth chief executive John Gunn. A former student of Nottingham University, Gunn has a new pet project—the Institute of German, Austrian and Swiss Affairs to be set up on the campus where he himself studied German.

Gunn has agreed to bankroll the project for seven years and contribute half the costs of the new building that will house the Institute—in all an outlay approaching £500,000. The Institute is the brain-child of Dr David Childs, Reader in Politics at Nottingham and the author of several books on both East and West Germany.

Childs' first visit to Gunn a year ago produced an immediate over-the-desk donation of £50,000 for the Institute, which aims to promote advanced research on Europe's German-speaking states, as well as assemble a vast range of archive material. This will include an archive, already acquired by Childs, which was built up by the British military government in Berlin.

Observer

Letters to the Editor

The argument about future fossil fuel prices

From the Director, Centre for International Energy Studies, Erasmus University

Sir,—Mr P. Watts, the Central Electricity Generating Board's economic adviser, misrepresents (November 5) his organisation's view on future oil and coal prices as presented to the Sizewell inquiry. In evidence which my colleague Mr R. Steenblik and I submitted to the inquiry in 1983-84 we argued that the CEGB had fundamentally misinterpreted global fossil fuels' supply/demand relationships and, as a result, had presented a set of eminently unreasonable and low probability forecasts of future oil and coal prices as the basis for its Sizewell nuclear power station application.

Far from "signalling" to the inquiry, as Mr Watts claims, that it accepted it had got its evidence wrong when faced with such contrary views, the CEGB chose to subject us to requests for extensive additional justificatory material and then to long and intensive cross-examination by its barristers on the fundamental issues involved. Thereafter, given that the validity of our evidence stood up virtually unscathed to the CEGB's onslaught, it attempted to re-establish the credibility of its original evidence on future oil and coal prices by calling new witnesses whom, it thought, might be able to undermine our claims that even the lowest CEGB forecasts of prices were much higher than the top of a range of prices above which there was only a 15 per cent probability that prices would lie. Meanwhile, prices have declined to levels which are right off the bottom of our range of price forecasts. The CEGB real world differential for 1986 prices thus now exceeds a 3 : 1 ratio.

Mr Watt's claims that the Cambridge Energy Research Group's subsequent work, incorporating the "very low" assumptions about future fossil fuels prices given to the inquiry, still showed Sizewell B as "economic." This appears to be privileged information which was requested by the inspector after the CEGB's evidence on future prices had been successfully challenged. As the witnesses who argued the "very low" price outlook for fossil fuels we have not even been told if our forecasts were used in this exercise—let alone the results if, indeed, they were used. And we were certainly not recalled by the inquiry to comment on the claim that Mr Watts now appears to be making, viz the unimportance of fossil fuel prices for the economics of Sizewell. It is surely incumbent on Mr Watts to produce the evidence for this claim as it was not part of the original CEGB case and it has not been subjected to public scrutiny and possible objection.

(Professor) Peter R. Odell.
Postbus 1738,
3000 DR Rotterdam.

From Mr P. Watts

Sir,—In "Time for a green approach to wealth creation," Mr Porritt (October 29) criticises those who do not show how environmental improvement will be financed. In doing so, at least insofar as his article relates (and two-thirds of it does) to the Central Electricity Generating Board, he commits the similar blunder of not evaluating environmental improvement.

For he admits that his proposals for removing sulphur from the flue gases of 12 power stations would add 5 per cent to the price of electricity over 10 years. Now 5 per cent of electricity sales over 10 years is £5bn but we are left to calculate for ourselves what the reduction in pollution would be and whether it was worth that amount, bearing in mind that he has tackled only sulphur emissions and not touched the emissions of oxides of nitrogen.

Mr Porritt then claims that the case for the pressurised water reactor (PWR) is already in shreds. The CEGB, on the contrary, considers that the case for the Sizewell B PWR continues to be robust. And that is without any credit for reducing pollution from oxides of sulphur or nitrogen. It is the view of the CEGB that nuclear wastes can be safely disposed of using presently known techniques and Mr Porritt should know that a nuclear station adds less radioactivity to the background than a coal station does via the radioactive content of coal.

Mr Porritt again argues without figures for costs versus benefits that conservation, energy efficiency, combined heat and power and the long term development of "renewables" look increasingly credible. The CEGB thinks that in the long run the benefits from some application of these techniques will exceed their costs and in its middle of the road economic projections it envisages that they will by 2030 supply more than 10 per cent of its electrical energy requirements. But in this country such techniques do not offer immediately available economic alternatives to nuclear power. They would of course become much more economic by banning nuclear power since this would force up the fossil fuel prices and so inflate the savings from "renewables"—but not savings for consumers.

P. E. Watts
(Economic Adviser),
CEGB,
15 Newgate Street EC1.

Benign neglect and Turks & Caicos

From Mr J. Shearer

Sir,—May I be permitted, as a long-term resident with my wife, of Providenciales, one of the islands in the Turks and Caicos, to comment on the excellent article by David Lennon, November 1.

Your observation of "benign neglect" is relevant to the extent that previous British administrations did not appreciate that these islands, which were "re-discovered" only in 1966, were not fit ten years later for any form of self-government. I am on record in expressing this opinion and did, indeed, forecast the sort of trouble which has recently arisen.

The action taken by HMG in suspending the constitution as a result of the commission chaired by Mr Louis Blom-Cooper, QC, was a correct decision which, to my knowledge, is accepted by the majority of all sensible people in the Islands who feel that they have been cheated in one way or another by the politicians who were previously in charge. Indeed, it would be true to say that my friends in the islands look to HMG to replace the constitution with one more suitable to the islands' needs.

As a tourist area the islands have tremendous potential as is evidenced by many from Europe, the USA and Canada who have caught "Providenciales fever" after staying with us. The fishing is still probably the best in the area, the diving, according to one of the great world experts, is unbeatable and the beaches have to be seen to be believed.

Far from being pessimistic, as you quoted one local civil servant, I can assure readers that since the suspension of the constitution there is a sense of relief and air of optimism. With the help of HMG and many well disposed local people and expatriates, I am sure the islands are heading in the right direction. It is essential that the new constitution takes into account the necessity of creating conditions of stability to enable overseas investors to invest for the benefit of the economic development of the islands.

John C. J. Shearer.
Anstead Brook House,
Anstead Brook,
Haslemere, Surrey.

Brusque end to the boom?

From Mr H. Cole

Sir,—I usually find that on economic matters Samuel Brittan is more reliable than the Prime Minister. However, I think that there may be more to Mrs Thatcher's apprehensions about the financing of the retail boom through credit cards than Mr Brittan (November 6) is prepared to concede.

Primarily, this is because so large a proportion of the rise in consumer expenditure appears to be credit-based as to bring into doubt if it can be self-sustaining.

Many households have well over £1,500 outstanding on consumer purchases. Credit card finance is expensive, but people seem oblivious to its real cost — ranging from 29 to as much as 40 per cent on a true APR basis for some of the new "retailers" own cards.

Hence, while the retail statistics show the goods being bought on credit as sold now, the interest element on them will pre-empt, on average, several hundred pounds over the next year or so. Indeed, for many families the net increase in income which they can look forward to from a pay rise of around 6 per cent is already earmarked to foot current consumption bills.

It is all very well to say that the situation is healthy because consumers have sufficient capital resources to match their obligations. But as those resources are locked up, all too often, in mortgaged bricks and mortar, this is not much comfort. If they cannot meet their bills from current income then it will have to be done from the realisation of assets. That raises the very real possibility of a brusque end to the retail boom also knocking the buoyancy of house prices smartly on the head. I do not say that the situation is immediately critical, but it certainly seems fraught with potential danger.

Harvey Cole.
9 Clifton Road,
Winchester.

Pension scheme surpluses

From Mr C. Hedderwick

Sir,—Your newspaper has an enviable reputation for accurate financial journalism. I hope that Lex on Hanson Trust's pension proposals (November 3) is merely an aberration from this standard. If the column is to put forward subjective opinions that is one thing, but to print facts that are wholly erroneous is entirely another. To put the record straight, the 1986 Finance Act does not state (as claimed by Lex) that "in any pension scheme that is overfunded by 5 per cent, the employer should use the surplus first to improve benefits, then as a substitute for contributions and, only if these two still leave an excess pocket the remainder." These actions are alternative options. The Act does not forbid employers from "pocketing the remainder" only after the first two mentioned options have been taken.

Colin N. Hedderwick,
Wyatt Co (UK),
21 Tothill Street SW1.

Comparing apples with apples

From Mr P. Cook

Sir,—If, as Peter Gillman (The battle of Featherly, November 1) suggests British farmers will be paid to plant trees, will some of these planted by men of Kent and Kentish men be of decent apple varieties? Perhaps they will be similar to those grubbed out in recent years.

The only apples offered to us here are South African, French and latterly Spanish.

P. F. Cook.
Keeper's House,
Achany,
Lairg, Sutherland.

Growth in some areas

From the Chief Executive, West Midlands Industrial Development Association.

Sir,—Anthony Moreton has produced some interesting material in his reports under "Regions in crisis." In dealing with the West Midlands region (November 4) there are factors that suggest the pell mell decline outlined does have a brighter side.

Overseas investment is on the increase. Over 500 overseas owned companies employ 100,000 people in the region. Since January 1985 some 135 overseas projects have been monitored coming into the five county area. This involves no less than 4,700 new jobs and a committed capital investment close on £400m.

While it is accepted that sensible restructuring by companies to consolidate overseas markets and indeed to expand, has led to production abroad, this does not necessarily result in lower production or job loss at the home base. Cadbury is a good case in point.

The elementary but key factors that are outlined as necessary for growth are taking place. New sites, an urban development area, land reclamation, bold investment in advance factory provision are all in evidence.

Regrettably, some typesetting snag suggests the region cannot be competitive in hi-tech. This is simply not the case. The region by virtue of its proximity to industry and customers is accepted by new investors as a profitable base for hi-tech, low-tech and no-tech industry and employment.

Ronald Sampson,
Chantry House,
Coleshill,
Warwicks.

Mortgage tax relief

From Mr A. Jones

Sir,—Mortgage tax relief was originally allowed to taxpayers to prevent double taxation and was not a concession.

The house owner's income was subject to income tax and as the payment to the mortgage company was also subject to income tax mortgage rate relief was introduced as a double taxation relief. It did not apply to the higher rates of tax called surtax.

Arithmetically it worked in the same way as VAT so that the income tax paid by the taxpayer was subtracted from the tax payable by the mortgagor. Only the standard rate of tax on the total transaction was charged. Just like VAT which is 15 per cent and not 30 per cent!

Allen Jones,
197 Greys Road,
Henley-on-Thames, Oxon.

Doubts about the length of the UK poverty line

From Mr P. Ashton.

Sir,—The article by Robin Pauley on the "Lengthening of Britain's Poverty Line" (November 5) was typical of the way most journalists and many politicians approach the subject. They express concern for and propose action on behalf of the less well off on the basis of highly selective statistics and ill-founded definitions of poverty served up by the poverty lobby. Perhaps because of this, the article contained a number of inaccuracies.

Mr Pauley rightly observes that poverty "is often confused with factors which have more to do with income inequality rather than the absence of enough money." He then quotes selectively — or allows others to do so for him—from a survey of supplementary benefit recipients (which he wrongly attributes to the Family Expenditure Survey) in an attempt to show that welfare benefits to major groups of people are "inadequate." What the Policy Studies Institute survey actually showed, however, was that 80 per cent of recipients did not regularly run out of money, 71 per cent had not had a period of "real anxiety" over money, and that 77 per cent were not in debt when interviewed.

Those who claim that benefits are "inadequate" must show that families who do have problems managing on their welfare benefits have not in fact mismanaged adequate resources, and must explain too why so many other recipients do not have these same problems.

Despite his earlier defence of an "inadequate income" definition of poverty, Mr Pauley devotes a major part of his article to the relative poverty concept. He fails, however, to make the most obvious comparison between benefits and earnings which would show, for example, that unemployment compensation for a couple with two children living in a council house is equivalent to a gross salary in work of around £6,000 pa, and for a couple with a £20,000 mortgage of about £7,600 pa. Mr Pauley fails, too, to point out that relative to earnings, Britain's welfare benefit system is more generous than most other European countries'.

Of the numbers in poverty, Mr Pauley is quite wrong in stating that there were almost 9m people in 1983 with incomes below the state's poverty line, and around 11m today. The official figures to which he refers show, in fact, that there were less than 2m families containing under 3m people — less than 5 per poverty line in 1983.

Your correspondent obtains his much higher figures by including all those people receiving supplementary benefits. But, quite obviously, when a person's income has reached the poverty line that person cannot, by definition, be counted as still in poverty—let alone as having an income below the poverty threshold.

The article might also have mentioned that although the total number of people with incomes below the state's poverty line increased between 1981 and 1983 (partly because benefits were increased in real terms), the number of families with dependent children actually fell by nearly 250,000.

But perhaps Mr Pauley's most important omission is his failure to identify the poverty lobby's credibility gap. Using a poverty yardstick an arbitrary 40 per cent higher than the state's, it claims that a third of the nation is in "poverty." Which is not surprising given that, for example, a couple with two children and a mortgage of £25,000 cannot escape this definition of poverty even on a salary of £10,250 pa!

Mr Pauley does a disservice to the genuinely poor by repeating uncritically the poverty lobby's propaganda and by turning a blind eye to some of its more ridiculous claims.

Paul Ashton,
University of Liverpool,
Eleanor Rathbone Building,
Myrtle Street, Liverpool.

Mrs Thatcher's election prospects

Not yet home and dry

By Peter Riddell, Political Editor

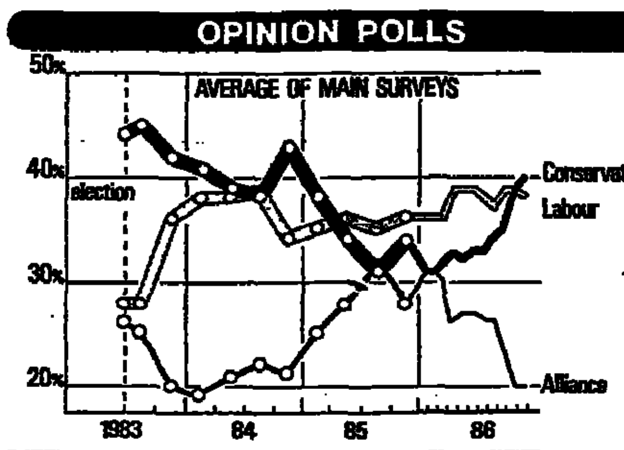
A CONSERVATIVE victory at a general election early next summer, after a tax-cutting spring Budget. That has emerged in the past week as the conventional wisdom, or rather hope, of many Tory MPs and City commentators.

Yet neither the outcome nor the timing of the election is nearly so certain or clear-cut. Admittedly, the Tories have held a clear lead in four recent opinion polls following 18 months when Labour was ahead. But four polls do not represent an irreversible trend.

Moreover, while last Thursday's announcement of public spending increases should help the Tories' electoral prospects, they do not tie the party to a particular date. Both the Prime Minister and Mr Nigel Lawson, the Chancellor, have sought to cool speculation about an early election and to keep open options for later in 1987, or even 1988.

The Tories' rating had already been edging up slowly during the late summer, according to the average of the main polls shown in the graph.

OPINION POLLS



The big jump in Tory support from 33-34 per cent to around 40 per cent has, however, occurred only in the past two months, during and after the party conferences. This largely reflects a switch from the SDP/Liberal Alliance and can be primarily traced to the Alliance's public divisions over nuclear defence policy.

Such a shift to the Tories has occurred twice before since 1983, only to be followed by a swing back again. The difference this time is that the fall has been larger and the Alliance's current rating of under 20 per cent is the lowest since early 1984. Although the defence split is now healed, with the Liberals agreeing to maintain Britain's nuclear capability, there may have been permanent damage to the image of the Alliance and its leaders as a moderate and united force.

A counter-attack is planned for the New Year but the Alliance has wasted over six months at a vital time. Paradoxically, Labour leaders are also privately hoping for a modest Alliance recovery at the expense of the Tories since only then would Labour, if it held its current 38/39 per cent rating, stand any chance of winning office.

The key development in the past week is that Labour may have slipped fractionally from its recent high level. This is not a firm trend but Labour MPs were impressed—or rather depressed—by the clear Tory lead shown by the massive 9,000 sample survey (several times the normal size) conducted in late October by Marplan for the Press Association. This is despite Labour confidence about a comfortable win in the Knowsley North by-election on Thursday. The Marplan survey showed that Labour was doing well in its existing northern strongholds but not well enough in the East Midlands and further south. And, for almost the first time since 1983, the Tories have begun to win seats in local council by-elections.

It is hardly surprising that Labour MPs are wondering what they can do next. After all, Labour had its most successful party conference for a generation. Some of the damage has probably been done by the public focus on Labour's non-nuclear defence policy and that is not going to change.

Yet all is not gloom for Labour. The latest edition of "British Social Attitudes" (published by Gower) points to a decline since 1983 in support for "right-wing" positions on the welfare state, income redistribution, state ownership of industry and defence spending. Dr John Curtice, its author, concludes that "the electorate has been moving significantly away from much of the ideological ground staked out by the present Government."

> After Westland, BL and the Libyan bombing, the unexpected can never be discounted

Voters' decisions are, however, based on the reconciliation of conflicting preferences and pressures. A recent Gallup survey showed Labour still ahead, though by less than before, on voters' views of which party had the best policies for education, health and unemployment. But the Tories were ahead on inflation, defence, law and order and industrial relations, leaving them just ahead overall on policy issues.

The Tories face a number of potential stumbling blocks. The Alliance could recover, both before and during an election campaign, when it has previously benefited from heavy media exposure. The Government could be vulnerable on local rates, with the prospect of big increases next April in southern England already threatening a Tory backbench revolt. The economy could also go wrong if interest rates start to climb again. And after 12 months of Westland, BL and the Libyan bombing, the unexpected can never be discounted.

However, it is the Conservatives' ability to shrug off such setbacks which is the strongest reason for their current optimism. Labour should be clearly in the lead at this stage of a Parliament—at over 40 per cent if it is to have a realistic hope of winning the next election. This is because in most, though not all, pre-election periods, the governing party's standing has recovered in the months up to polling day.

The explanation is probably that voters are less concerned with events like Westland which obsess Westminster. Also, 85 per cent of those who want to be are in work and appreciate the rise in living standards and the consumer boom. Dr David Owen may deplore this as the "candy floss economy" but Mr Lawson may have made a more accurate, if cynical, assessment of voters' preferences.

What does all this mean for the election date? Mrs Thatcher will, of course, go when she thinks she will win—and she took some persuading to go early in 1983. She apparently wants to serve at least four years, which means next June at the earliest. This would be after next May's local elections. The snag is that the Tories may not appear to do well then since comparison will be with a good year for them in 1983; anyway Labour tends to perform better in local than parliamentary elections. Some Tories therefore favour local election day, May 7 1987.

The majority Cabinet view at present is for going later, probably in the autumn, to allow time for a recovery in Tory fortunes to be established and for the latest public spending increases to work through. But, as in 1983, irresistible pressures could build up.

Perhaps the most significant indicator is that half the electorate thinks the Tories are most likely to be victorious and less than a third believe Labour will win. Yet if the Conservatives are now the clear favourites to retain office, few politicians are ruling out an inconclusive outcome—and the prospect of another general election.

FINANCIAL TIMES

Tuesday November 11 1986

Egypt's new man confronts old problems

PRESIDENT Hosni Mubarak of Egypt has a reputation for caution. His style is undramatic compared with that of his volcanic predecessor, the late Anwar Sadat. Yet when it comes to changing government appointments, Mr Mubarak follows in Sadat's footsteps.

The salons of Cairo are full of ex-prime ministers and ministers of finance and economy who believe they can do better than their successors. Their voices are added to the cacophony of advice that rains down on the government of the day.

Mr Mubarak, in his five years as President since the slaying of Mr Sadat, has continued to replenish the stocks of disaffected ex-officials at a respectable rate. There have been four prime ministers – one died in office – and as many ministers of economy.

The frequent change of personnel in key government posts reflects deepening concern about Egypt's economic crisis as much as it does the President's prerogatives. For many Egyptians, driven to near despair by the government's apparent inability to deal with the country's problems, it appears that the more things change, the more they stay the same.

Mr Mubarak's letter at the week-end appointing Dr Atef Sidki as Prime Minister mirrors that issued 14 months ago to Dr Ali Lutfi who has now been dismissed. On that occasion, Mr Mubarak asked his Prime Minister to carry out economic reform without adding to pressures on prices. Then, as now, it was an impossible task.

A prominent Egyptian banker commented at the time: "It was like walking into a shop and asking for the best quality goods at a low price. Dr Lutfi comes with a mandate to solve economic problems, but not a mandate to pay the price."

Dr Lutfi's premiership was doomed from the start, it seemed. An inexperienced politician, he was asked to head a government which included powerful officials left over from previous administrations. Dr Lutfi was unable at any stage to exert authority over his cabinet.

Dr Sidki is also inexperienced in political terms, although it appears that he has more powerful connections than his predecessor. He is an associate of Dr Rifaat Maghoub, speaker of the parliament, who has on occasions acted as an adviser to the President.

Dr Sidki's views about economic reform are not well known. It is thought that he has a stronger commitment to central planning than his predecessor, who was attracted to liberalising Egypt's economy, but in the end was unable to carry his cabinet colleagues with him.

The dismissal of Dr Lutfi is curiously timed. It coincides with critical talks between Egypt and the International Monetary Fund now under way in Cairo. The changes, which include the appointment of a new minister of economy, may cause a hiccup in the IMF negotiations, which appeared to be making progress.

Understandings reached between government officials and the IMF about the need for basic reforms of the pricing and exchange and interest rate structures may require renegotiation.

The IMF is demanding a dismantling of Egypt's multi-layered exchange rate system, a liberalisation of interest rates to encourage investment, and increases in energy prices as a condition of it providing about $1bn in balance of payments support over three years.

Egypt has been moving nervously towards an arrangement with the IMF, but according to an IMF official the two sides are still a "long way apart."

Egypt's new Prime Minister has inherited an even more critical economic situation than his predecessor, who assumed office at a time of rising prices and falling revenues. The oil price collapse this year has exacerbated Egypt's problems, which include an acute hard currency shortage.

Dr Sidki is faced with the unenviable task of restraining government expenditure, conserving scarce foreign exchange resources, controlling price increases, seeking ways to restructure Egypt's foreign debt and at the same time introducing economic reforms that would satisfy IMF conditions.

According to the latest IMF report, Egypt's foreign debt had reached $38bn by mid-year, which puts it in the same category as such medium-to-large debtors as Venezuela and Indonesia. The IMF also reported an alarming build-up of arrears on debt service payments, from $800m in mid-1982 to $4.3bn this year.

Egypt's access to new lines of credit is limited until it makes an arrangement with the IMF. After that, a comprehensive rescheduling of its external debt should be possible, perhaps through the offices of the Paris Club.

Smacking as it does of changing horses in midstream while negotiations are going on, the weekend reshuffle provoked an initial negative reaction from international bankers. But Dr Sidki's decision to restructure economic portfolios to reduce the number of ministers with a say in policy is a promising early development.

If he is to do better than Dr Lutfi he must elicit undertakings from Mr Mubarak of more rigorous support for overdue and painful economic reforms.

But even if Dr Sidki manages only to introduce a degree of purpose and discipline into his Government's economic policy-making, he will have achieved more than his predecessors.

Tighter rules for investment companies, Page 23

Tony Walker looks at the political restraints Prime Minister Dr Atef Sidki (left) will face in his attempts to solve Egypt's economic problems and his need for the unequivocal support of President Hosni Mubarak (right).

THE LEX COLUMN

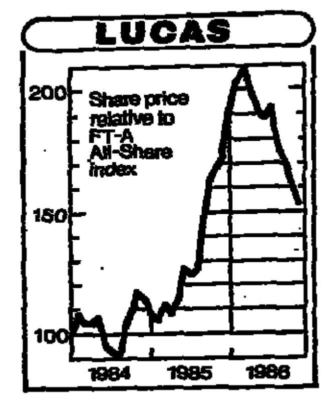
Lucas in need of a holiday

Any company that generates over a quarter of its pre-tax profit out of payments holidays on its pension fund is bound to be something of a conundrum. But the puzzle with Lucas goes deeper, as yesterday's two-way tussle with the share price shows: the announcement of pre-tax profits up 65 per cent to £95.2m were quite as good as expected, but after much gyration, the share price settled 10p lower at 469p.

Lucas has already promised an even more generous contributions holiday this year, of about £27m, and lower redundancy charges will do their bit. There is sure to be enough from the aerospace and automotive operations outside the UK to cover the profits foregone from re-tooling the fuel injection plant at Greenville. Lucas could turn in pre-tax profits of £115m or so and produce some small earnings progression even with diminished help from tax losses.

However, the investment rating – at a double figure multiple of earnings excluding the pensions holiday – is asking rather more. Either Lucas must promise yet further pensions relief next summer, or it must show that it has used the pensions breathing space to convert the half-billion pounds in UK automotive turnover into a profitable operation.

No doubt, Lucas will produce something on the pensions front with the now-familiar boost to the share price. But the immediate outlook for the UK automotive business is not encouraging: Lucas CAV is unlikely to see any volume growth from its commercial and agricultural customers, which suggests yet more cost-cutting, while Lucas Electrical is heavily dependent on the UK motor industry. Lucas Electrical may well break even at the pre-interest level on the last day of this year, but this is scarcely compelling reason to buy the shares.



Heath/PWS

Confounding the worst sceptics, PWS has come back with a partially underwritten cash alternative to its paper offer for C.E. Heath. But it has some way to go to convince the market of the financial and management advantages of its own offer over Heath's proposal for a reverse takeover of Fielding. Yesterday, the 12p fall in the PWS price (to 290p), and the re-arrangement of ordinary and convertible shares on offer, actually lowered the value of the new and final all-paper offer below the old level last week.

Given the downward drift in the PWS price, shareholders in Heath will be primarily interested in the cash and convertible offer, which is 40 per cent underwritten and puts a value of about 512p on each Heath share. Even here, the market is not convinced: Heath closed at £5, down 11p, as if the convertible were valued simply as a high-yielding fixed-interest stock.

However, the prospect of some cash now has tilted the financial balance in favour of PWS. The conditional placing by Hambros of Heath shares issued to take over Fielding was a more distant 464p. This may be what Heath will be worth even with new management from either source.

Champagne luggage

Aside from the fact that champagne is customarily sold by the case, the news of a merger between Louis Vuitton and Veuve Clicquot has appeared one of the less obvious combinations one might devise. But during the suspension of Clicquot's shares, the idea has grown on people; if the game in champagne, like other alcoholic drinks, is to be won by the adepts at international marketing, to be packaged with Mr Racamier's smart luggage seems just the thing to put more fizz into Clicquot. Vuitton's desire to try its hand at other luxury products has already led it into the edges of the perfume trade, so the Givenchy brands that Clicquot controls appear to fit in neatly.

At six Vuitton per Clicquot, the share terms have been pitched at a premium of about a fifth to the pre-suspension price of FFr 5,500, a valuation of Clicquot that had in any event more than doubled in the previous twelve months. So far as earnings go, Cliquot shareholders have nothing to complain about in a multiple of more than 30 – though the market has been doing its best in advance to discount the bid premium in Vuitton shares. The premium may not look quite so generous when calculated in relation to the replacement cost of champagne stocks, which is bound to exceed the historic book value by many a magnum. Shareholders in Clicquot may do well to see if their shares return at a premium to the cash and bond alternative of about FFr 6,300, before deciding that acceptance of Vuitton is an open and shut case.

Cullen's

Take a dull company which has lost its way and is making small but increasing trading losses, inject some new management and, a little later, £5m of equity. Result? Larger losses and a failing share price.

Three bidders circled Cullen's two years ago, all ready to prove their superiority as food retailers. Clearly the business is not as easy as it looks. After gaining control in early 1985 the new management started to transform Cullen's into an up-market, open-all-hours chain.

Ever since, shareholders have been waiting for the benefits, even stumping up for a rights issue at 200p. After yesterday's news of a near £1m interim loss the shares closed down 20p at 130p. The history suggests a paucity of financial controls and a surplus of optimistic forecasts.

Aided for the past week by a new finance director, Cullen's appears to be taking a more realistic approach at last. New stores make losses for six or even nine months – rather longer than Cullen's had originally expected – partly because of a high wastage rate in the fresh produce that sat on shelves to demonstrate Cullen's convenient range. Fewer stores will therefore be opened until the existing ones are profitable.

Of Cullen's 39 convenience stores only 10 have been open for more than a year. The new, less grandiose, plan is to have 43 by the financial year end, not the 60 or 70 that used to be mentioned.

The reduced number should be enough to bear the central costs once they are all run in. But Cullen's is unlikely to be making profits until the year after next. Meanwhile shareholders' patience and Cullen's cash are likely to run lower yet. Perhaps new management is not the answer to every corporate prayer.

Swedish food price rises to be postponed

By Kevin Done, Nordic Correspondent, in Stockholm

THE SWEDISH Government yesterday reached agreement with the country's farmers to postpone planned food price increases until July in an effort to hold down consumer prices and rescue this year's national wage agreements.

The two-year pay settlements for 1986/87 in both the private and public sector contain clauses allowing trades unions to renegotiate wage levels if consumer price inflation is running higher than 3.2 per cent next month.

Concern has been growing that the inflation target would be exceeded, thus plunging the country into a new round of disruptive collective bargaining only weeks after peace has finally been restored to the Swedish labour market following the ending of a prolonged series of strikes in the public sector.

The annual inflation rate in September jumped to 4.1 per cent with the largest monthly increase since January, compared with 3.6 per cent in August and a low point of 3.3 per cent in May.

Inflation in Sweden's eight major trading partners was running on average at only 1.5 per cent in August, and the country's minority Social Democratic Government is concerned that the international competitiveness of Swedish industry will gradually be eroded unless the gap can be narrowed.

A triggering of the prices clause in national pay deals is seen as the biggest short-term threat to the Government's economic policies. The authorities have apparently been considering various methods of clearing this hurdle, including changes in the composition of the consumer price index, and a possible cut in interest rates.

Yesterday's move means that the Government has now postponed food price increases of around 2 per cent due to come into effect on November 17 until July 1 next year, avoiding a possibly crucial increase of 0.15 per cent in the consumer price index.

The postponement has been won at the price of package deal of support measures to the Swedish farming sector costing more than SKr 1bn ($142m).

Thatcher stresses commitment to restrain public borrowing

BY JOHN HUNT IN LONDON

THE British Government will continue with "prudent policies" to restrain public borrowing and keep down inflation despite the increase in public spending announced by Mr Nigel Lawson, the Chancellor of the Exchequer, in his Autumn statement last week, the Prime Minister said last night.

Mrs Margaret Thatcher also reaffirmed Mr Lawson's belief that there will be further growth in the British economy next year.

The tone of her speech at the annual Lord Mayor of London's Banquet was aimed at reassuring the City that Mr Lawson's Autumn Statement did not mark a "U-turn" in government policies.

Contrary to many predictions, Mrs Thatcher did not attempt to dampen speculation that she is planning a general election by early next summer.

Apparently she took the view that any comment by her would only fuel further speculation. She did, however, assure her audience that she would do her level best to remain in office "for a good few years yet."

Nevertheless, she did set out the main themes on which she is likely to fight the next general election, with long passages on the enterprise economy, privatisation, wider share ownership, law and order and a Britain with a strong nuclear deterrent.

On nuclear disarmament, which Mrs Thatcher will be discussing with President Ronald Reagan in Washington later this week, she cautioned against a zero-zero option and said that negotiations with the Soviet Union must be "tough and realistic." In effect, she was underlining the statement by Mr George Younger, the Defence Secretary, over the weekend that Britain's interests must be fully taken into account in disarmament talks.

Dealing with the economy, the Prime Minister said most attention last week had been concentrated on Mr Lawson's announcement of an increase in public spending.

"But equally worthy of attention is the fact that public spending has been falling as a share of our national income every year since 1982," she went on. "And after this year's Autumn Statement it will continue to fall as a share of our national income."

It should come as no surprise, she said, that the Government was insisting that public spending should be honestly financed. She strongly emphasised that in his budget the Chancellor had given the target of £7bn ($10bn) for next year's PSBR target – the same as this year – and had reaffirmed it in the House of Commons last week.

"We shall not betray the prudent policies which have been the hallmark of this Government," she promised.

The Government had brought down the rate of inflation but it still was not low enough and she longed for the day when Britain would have stable prices with the expectation that they would remain so.

She argued that government policies had increased national income every year since 1981 and 1m new jobs had been created over the last three years. There was no longer need for talk about Britain's relative decline.

She pledged that the Government would continue to provide the conditions where enterprise could flourish.

She praised the City of London over the "Big Bang," and warned that Britain would expect similar free access to financial centres overseas.

On popular capitalism and privatisation she said it was her dream to give power, responsibility and independence back to the people.

Thatcher's election prospects, Page 19

Computer giant gets an A to Z of names

By William Hall in New York

IT HAD ALL the excitement of a New York City lottery drawing yesterday as the more than 100,000 employees of Burroughs and Sperry waited for news of which lucky person had won the $5,000 prize for picking the name of the world's second biggest computer company.

Burroughs and Sperry, which tied the knot in May on the biggest merger in the history of the computer industry, decided to dispense with highly paid image consultants and instead asked their employees to choose a name for the new computer giant. The unusual contest drew 31,000 entries and competition was so fierce that the judges had to time stamp the entries as they poured into Burroughs' Detroit headquarters.

Suggestions for the new name ran the gamut from A to Z–AABSG International to Zyre. Thousands of entries combined the two existing names in some way such as Buros, which sounds like a Mexican mule, to Burrovac, which the public relations people say is reminiscent of Sperry's famous early computer, Univac. Busper, Spebur, Supurb and Squabb (a sure quality alternative to Big Blue; the more familiar for IBM) were among the other offerings.

Sparrow(s), in various spellings, received a lot of votes reflecting as one employee suggested the common characteristics between the bird and the company, "hardy, able to exist in any environment, industrious, always building, low-flying, down-to-earth, always keeping sight of its objective."

There were 415 entries for International Computer Systems Technology and United Systems Technology, with 397 entries, was the runner up. Among the less popular choices were Sisu, a Finnish term with no literal English translation but said to be short for "unyielding, guts and tested for endurance."

In the end the contest was won by Mr Lee Machen, a 36-year-old systems engineer from Atlanta, who was the first of eleven people to pick Unisys, which is short for united, information, systems.

In common with Varity Corporation (ex-Massey Ferguson), Navistar (ex International Harvester) and Enron Corporation (ex-Enteron and before that Houston Natural Gas), Unisys is launching a global advertising to introduce the corporation's new name and identity.

The campaign will be based on the slogan: "The Power of 2."

Chirac stance undermined

Continued from Page 1

cism engulfing the whole region. And that, let me repeat it, is much more important than breaking relations with Syria because of some incident in London or a bomb in the street."

He went on to describe the recent bomb attacks in Paris in which six people were killed and over a hundred injured as "small beer" besides the major problem of containing the growth of fanaticism in the Middle East. "And who in Europe," is trying to hold back this tide of fanaticism? I must conclude that France is alone in this area," he said.

The Prime Minister's office yesterday declined further comment on the interview, which the Washington Times decided to publish after Mr Chirac categorically denied remarks attributed to him

Top Morgan Grenfell executive resigns

Continued from Page 1

bank, which investigated Mr Collier's activities.

Among the main points in the manual is a clear instruction to staff that all their personal securities dealings must be channelled through the group's own brokers so that they can be scrutinised.

The investigation into Mr Collier's breach is understood to have reached its climax at the end of last week. He was at Morgan's offices in the City briefly yesterday before leaving the company.

The announcement of his resignation was read out to staff late in the afternoon. The news reported deeply shocked his co-workers. "We were absolutely stunned," one of them said. "We just cannot understand it."

One reason for the shock was that Mr Collier had developed a reputation as an able manager who had helped build up Morgan's equities business to a profitable size from scratch in barely over a year.

Aged 35, he was previously the manager of the New York office of Vickers da Costa, the stockbroking firm which is now part of the Citicorp banking group. Hard-working and gregarious, he had several responsibilities, including the market-making and equities side of the company.

Last month, Morgan reported in its interim results statement, that "considerable progress" had been made in developing its integrated securities business. Research teams covering the major sectors of the equity market were in place, together with an experienced sales team, it said. The operation is aiming for a 5 per cent share of the London equity business.

The affair is a particularly heavy blow for Morgan Grenfell which, unlike many of its competitors, did not buy a stockbroking firm and had to build up its credibility as a stock exchange firm through its own efforts. On the other hand, the case also demonstrates the ability of its compliance department to spot breaches of its rules and take effective action.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	18	64	Malta	-	-	-	Rhodes	S	16	61
Algiers	S	23	73	Edinburgh	F	11	52	Manchester	S	13	55	Rio de J'o	S	26	96
Amsterdam	C	12	54	Faro	C	17	63	Manila	S	32	90	Rome	S	18	64
Athens	S	19	66	Florence	S	14	57	Melbourne	S	19	66	Salzburg	S	12	54
Bahrain	S	33	91	Frankfurt	S	9	48	Mexico City	F	26	79	San Francisco	F	20	68
Bangkok	F	32	90	Funchal	C	20	68	Miami	C	28	82	Seoul	F	10	50
Barcelona	-	-	-	Geneva	S	13	55	Milan	C	10	50	Singapore	F	30	86
Beirut	-	n/a	n/a	Gibraltar	S	19	66	Montreal	C	1	34	Stockholm	C	7	45
Belfast	F	10	50	Glasgow	R	10	50	Moscow	C	0	32	Strasbourg	S	13	55
Belgrade	S	11	52	Guernsey	F	14	57	Munich	S	14	57	Sydney	S	21	70
Berlin	S	8	46	Helsinki	C	7	45	Nairobi	T	25	77	Taipei	S	25	77
Biarritz	S	17	63	H. Kong	F	22	72	Naples	-	-	-	Tangier	S	19	66
Bombay	S	32	90	Innsbruck	S	10	50	Nassau	S	30	86	Tel Aviv	F	17	63
Bordeaux	-	-	-	Inverness	S	10	50	New Delhi	S	28	82	Tenerife	-	-	-
Brussels	C	13	55	Islamabad	S	30	86	New York	C	5	41	Tokyo	F	19	66
Budapest	S	10	50	Istanbul	F	8	46	Nice	S	18	64	Toronto	F	-2	28
B. Aires	F	29	88	Jakarta	R	31	88	Nicosia	C	13	55	Tunis	S	20	68
Cairo	F	18	64	Jersey	F	14	57	Oporto	C	16	61	Valencia	-	-	-
Cape Town	F	20	68	Jo'burg	F	17	63	Oslo	R	9	48	Venice	S	11	52
Caracas	C	24	75	Lima	C	20	68	Paris	S	14	57	Vienna	S	11	52
Casablanca	S	20	68	Lisbon	C	17	63	Peking	F	15	59	Warsaw	S	9	48
Chicago	C	-7	19	London	F	16	61	Prague	S	6	43	Washington	F	5	41
Cologne	F	14	57	Los Angeles	C	14	57	Reykjavik	S	-1	30	Zurich	S	12	54
Copenhagen	C	8	46	Luxembourg	S	11	52								
Corfu	S	19	66	Madrid	F	15	59								
Dallas	-	-	-	Majorca	-	-	-								
Dublin	S	11	52	Malaga	-	-	-								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EEC Syria arms sales ban

Continued from Page 1

make it very clear to Syria that such involvement is unacceptable."

Sir Geoffrey insisted, on the contrary, that the statement was "absolutely clear about the involvement of Syria and the Syrian authorities in the event which took place here in London."

The text actually refers to "Syrian involvement" and the proceeds to talk about "making representations to the Syrian authorities." It says that a Syrian government response to the accusations "adds nothing to what was considered by the court which found Hindawi guilty, and to what the embassies have presented to the Syrian authorities.

The foreign ministers studiously avoided any formal discussion of the two potentially controversial affairs occurring elsewhere. Mr Raimond denied there was any discussion at any level of the interview by Mr Jacques Chirac, the French Prime Minister, in the Washington Times newspaper, during which he suggested that the Israeli intelligence services, and not Syria, was behind the Hindawi affair.

Sir Geoffrey Howe also insisted that there had been no discussion of the reported US arms sales to Iran in exchange for the release of hostages held by pro-Iranian groups in Lebanon.

He did none the less criticise any such activity if it were proved to be true while saying he did not know "anything like enough" about the allegations.

Wickes agrees to buy 9.8% of Lear Siegler

BY CHARLES HODGSON IN NEW YORK

WICKES, a US building products and retail group, has reached agreement with AFG Partners to buy the 1.78m shares the partnership owns in Lear Siegler, a US aerospace, automotive and electronics company, for $91 a share.

The shares represent about 9.8 per cent of Lear Siegler's outstanding common stock. AFG Partners, formed by California-based glass products maker AFG Industries and Wagner and Brown, a Texas energy partnership, recently offered to buy Lear Siegler for $85 a share, valuing the company at $1.51bn.

Wickes said yesterday that it would shortly propose a friendly cash merger with Lear Siegler, the products of which range from Piper light aircraft to Smith and Wesson handguns.

Mr Sanford Sigoloff, Wickes chairman, said the offer to acquire Lear Siegler followed discussions with the company on a possible acquisition and that Wickes had agreed to buy the Lear Siegler stock held by AFG Partners in order to eliminate a potential hostile bidder.

He added that Wickes had received the right to terminate its stock purchase agreement with AFG Partners. If the Lear Siegler board did not accept Wickes' offer, Wickes would be free to take whatever action it deemed appropriate with regard to its Lear Siegler holding. AFG Partners retains its Lear Siegler stake if the agreement is terminated on or before November 12.

Mr Sigoloff described Lear Siegler as "a very fine company, many of whose businesses are a good fit with Wickes' existing manufacturing and automotive businesses."

Wickes announced at the weekend the $1.16bn cash merger with Collins & Aikman, a leading US textiles producer. Mr Sigoloff has led the company on an aggressive acquisitions drive since it emerged from Chapter 11 bankrupt proceedings in January 1985.

Lear Siegler, which recently hired New York investment bank Drexel Burnham Lambert to help fend off unwanted suitors, has been hit by the depressed state of the aviation industry. The company reported a 45 per cent fall in net income to $55.5m in the year ending in June, largely as a result of a $31m after-tax charge to increase its aircraft production liability reserve.

Standard Oil unveils refinancing plan and arranges $5.5bn facility

BY OUR NEW YORK STAFF

STANDARD OIL, British Petroleum's US affiliate, has unveiled a major refinancing of its balance sheet and arranged $5.5bn of borrowing facilities with a group of 45 international banks.

The announcement caused some surprise on Wall Street given that the sums of money being raised are far in excess of the company's present needs and raised speculation that Standard Oil might be positioning itself for a takeover bid for a less well capitalised oil company.

Standard Oil said yesterday that it needed "to have access to sufficient low cost funds not only to meet planned expenditures for some years ahead but also to be ready for any contingency or opportunity that might arise." It said that the new facilities would give the company, whose existing long-term debt is about $3bn, "greater financial flexibility and greater financial security."

The Cleveland-based oil company announced yesterday that it had accepted offers from 45 banks to supply committed borrowing facilities of $2bn and uncommitted facilities of $3.5bn. The terms of the arrangements were not disclosed.

The new credit lines replace $1.26bn of existing credit facilities which were arranged last year. The committed credit lines will run for seven years and involve agreements to lend agreed amounts at pre-determined interest rates. The uncommitted credit lines have no fixed maturity and involve an effective promise by the banks to make their "best endeavours" to raise the money for Standard Oil.

Yesterday's announcement bear the hallmark of Mr John Browne, the former treasurer of BP, who joined Standard Oil in April as part of a major management reshuffle instigated by its British parent. Mr Browne is renowned as a financial innovator and the latest deal is significant in that Standard Oil finance, the company's finance arm, has put together the financing without the assistance of a lead bank.

Mr Browne said yesterday that he was "delighted" by the banks' response and received offers far in excess of the comany's needs. "The arrangements have allowed us to reaffirm our existing banking relationships and create new ones," said Mr Browne yesterday. Some 19 of the banks are north American, 13 are from Europe and 13 from the Far East.

Japanese appointed to board of Hutton

By William Hall in New York

E. F. HUTTON, the US brokerage firm which rebuffed a $1.6bn takeover approach from American Express last weekend, has reshuffled its top management team and appointed a leading Japanese institutional investor to its board.

Hutton, which has been the subject of persistent takeover rumours for several months, confirmed yesterday that Mr Robert Rittereiser, who was brought in as president 18 months ago, had been appointed to the additional post of chief executive. He replaces Mr Robert Fomon, who remains as Hutton's chairman. In addition, Mr Sadao Yasuda, general manager of the international investment department of Sumitomo Life Insurance Company, has been elected to the board.

The company has also confirmed that it has put its life insurance operations up for sale. Hutton's shares fell sharply for the second day running yesterday as Wall Street interpreted the moves as a sign that the group intended to fight to remain independent. By late yesterday morning, Hutton's shares were $1⅛ down at $46⅞.

The news that Shearson Lehman Brothers, the aggressive brokerage arm of American Express, had offered to acquire Hutton for around $50 a share, or $1.6bn, follows months of speculation that has linked Hutton's name with companies ranging from Chrysler Corporation to Transamerica Corporation.

Hutton is one of the best known retail brokerage firms in Wall Street

Despite its proud name, Hutton's financial performance has lagged behind other Wall Street firms and its management morale has been hit by the revelations last year that it had been involved in a longrunning and complicated cheque overdraft scheme. The company needs extra capital if it is to continue to grow and compete.

NEW PRESIDENT OUTLINES PLANS FOR ASSETS SALES AND RESTRUCTURING

BankAmerica's survival course

BY DAVID LASCELLES IN LONDON

BANKAMERICA expects to shed $5bn–$6bn worth of assets and several non-essential businesses over the next six months in its struggle for survival. This slimming down could yield up to $1bn in capital, which would bolster the ailing California bank and help it pull through as an independent institution.

These elements of the bank's strategy were laid out in London yesterday by Mr Tom Cooper, the *new president and chief operating* officer. He and Mr Tom Clausen, the new chairman, took over last month when the former management resigned after failing to bring the bank's losses under control.

Mr Cooper came from Mellon Bank, where he was vice-chairman. With his steel-rimmed glasses and dark pin stripes he looked the picture of sobriety yesterday, and professed himself willing "to answer any question so long as it's not personal."

One point he would not discuss, however, was the likelihood that BankAmerica would be taken over or broken up by competitors. "It would be inappropriate of me to comment on offers that may or may not have been made," he said. "We are going to be shareholder driven. We have an idea of the value of the company and of our business plan. That plan will show reportable successes in the next couple of quarters."

The first task is the organisation itself. Mr Cooper said the bank will attack costs to try to save $400m-$450m a year. This would include staff cuts of 5,000 this year and a similar number next year, in addition to people shed through divestitures. The group employs nearly 80,000 people.

Other costs will be saved by cleaning out the loan portfolio. BankAmerica is currently charging off about 2 per cent of its loans each year, three or four times as much as its peers. It wants to get that down to 1 per cent by the end of next year, which means the loan losses will be of the order of $350m, rather than about $1bn a year, as now.

The task of restructuring the group will also involve substantial asset sales. Mr Cooper said that BankAmerica will probably sell most of its retail business in Europe, and concentrate its consumer activities in California, the world's seventh largest banking market. He said there was no letter of intent yet in its negotiations to sell Bank of America d'Italia but he expected the sale to go through in the next six months.

The group has also signalled its intention to sell Charles Schwab, the discount broking business it bought in 1980.

In addition to sales of subsidiaries, BankAmerica is selling off parts of its loan portfolio, including auto, credit card and wholesale loans. "Decisions will be made in the light of market conditions. We are under no duress to sell."

Altogether, sales could yield fresh capital for the group of between $750m and $1bn, which would help bring the ratio of total assets to capital down closer to that of other large US banks. Mr Cooper said it was currently 17 to one, but declined to give a target. Many US banks operate with a primary capital ratio of 13–15 to one.

Mr Cooper said the group will concentrate on three main areas:

- institutional banking, including companies and governments needing multinational financial services;
- retail banking, largely in the US, and mainly on the West Coast and
- managing a portfolio of businesses "in an independent fashion and in the best interests of the shareholders."

One of the bank's strengths at the moment, he said, was its high level of liquidity. This was partly because of the large retail deposits it takes in. But it was also "partly to be prudent. No bank can withstand irresponsible rumours."

Navistar International to take $66m charge

BY OUR NEW YORK STAFF

NAVISTAR International, the US heavy truck group, said yesterday it would take a $66m charge against fourth-quarter earnings as a result of lower-than-expected dividends from its shares in Tenneco, the Houston-based conglomerate.

Navistar, which changed its name from International Harvester earlier this year, said that excluding the special charge, earnings for the quarter would be in line with the $5m or 1 cent per share net income in the third quarter, which included a $2m tax credit.

In the fourth quarter of 1985, Navistar had net operating profits of $30m or 21 cents a share. A tax credit of $27m made final net $57m or 41 cents a share.

Chicago-based Navistar, which recently announced plans to raise $700m through a public share offering, acquired the Tenneco stock as part of the sale of its farm equipment business to Tenneco's J. I. Case division.

Dividends from the stock are dependent on the level of cumulative earnings by J. I. Case since the date of the sale.

The preference stock has a redemption value of $188m, with mandatory redemption of $25m a year beginning in 1990. Navistar said it expected to receive redemption value as scheduled and that the difference between the revised carrying amounts and the redemption value would be credited to income over the life of the issue.

Interim truce likely in USX takeover battle

BY RODERICK ORAM IN NEW YORK

A INTERIM truce in the two-month-old takeover battle for USX could result soon from talks between Mr Carl Icahn, the New York investor, and the troubled steel and energy group.

The two parties appear to be close to a pact whereby USX would let Mr Icahn see its books if he agreed not to raise his 11.4 per cent stake or make a tender offer at less than his lapsed $31 a share bid. USX's share price was unchanged yesterday afternoon at $23⅞.

Under such an agreement USX would win time to study long-delayed restructuring proposals which should be delivered by its investment bankers this week and to settle its steel workers' strike. Mr Icahn would gain information he probably needs to formulate his takeover offer and to help raise money for it.

Mr Icahn's original September 22 offer lapsed on October 22, the day First Boston and Goldman Sachs were due to deliver their proposals. USX said its board should begin discussing the report, which took longer than expected because of its complexity, later this week.

The company has already announced the spin-off of most of its chemical operations, which could raise $500m towards its immediate goal of $1bn from disposals. It has sold most of its steel stockholding centres and talked of spinning off its prized oil assets and buying back shares.

INTERNATIONAL COMPANIES and FINANCE

AFP reveals new share placement

BY ROBERT KENNEDY IN SYDNEY

THE DRAMATIC growth of AFP Investment Corporation continued yesterday when the group announced that it had raised A$107.8m ($69.54m) from a placement to help fund "two specific investment opportunities" it was considering.

The company said the placement of 22m shares at A$4.90, 40 cents a unit below the ruling market price, would provide part of "a significant commitment of funds" which would be needed to bring the two opportunities to fruition.

The latest raising follows AFP's placement of 20m shares at A$3.25 each in June, its announcement of a one-for-one bonus issue in September, and placement of 3.3m shares to Mr Abraham Goldberg last month.

The investment group, associated with such well known local corporate players as textiler Mr Basil Sellers, former Elders IXL executives Mr Richard Weisener and Mr Peter Scanlon, and merchant banker Mr John Gerahty, burst into prominence when it took an option over BHP's stake in Elders IXL.

The men behind AFP and its rapid growth to a market capitalisation of more than A$500m signal an active life for the fledgling company.

The current market price compares with the A$2.45 at which it was trading when it announced the option deal on BHP's convertible preference shareholding in Elders IXL on September 15. The deal gives AFP the chance to take its holding in Elders to up to 20 per cent.

An AFP spokesman would not comment on the two opportunities currently being examined by the group but one of them is deemed to be an overseas company, probably UK-based.

Gevaert buys stake in Hapag from big banks

BY PETER BRUCE IN BONN

THE stake in Hapag-Lloyd, West Germany's biggest shipping line, by the country's two biggest banks, the Deutsche and Dresdner, moved a step further towards depletion yesterday.

Mr Christoph von der Decken, a member of the Dresdner Bank main board and chairman of Hapag-Lloyd's supervisory board, said yesterday that Gevaert, an Antwerp financial holding company, was taking a 12.5 per cent stake in Hapag.

Gevaert took a big stake in Bayer, the West German chemicals group, when Bayer bought up Agfa-Gevaert in 1981. That stake has now fallen to about 4 per cent. Gevaert is said to have other shipping interests and its president, Mr André Leysen, is chairman of the Agfa-Gevaert supervisory board. He is also a member of the Hapag-Lloyd supervisory board.

The Gevaert move follows closely on the heels of an announcement last week that Veba, the big West German energy conglomerate, was taking a stake in Hapag-Lloyd, also believed to amount to 12.5 per cent.

The Deutsche and Dresdner banks, which each have a 40 per cent stake in the line, are trying to reduce their holdings to 15 per cent each and both the Veba and Gevaert purchases involve bank shares.

Like Gevaert's chairman, the Veba chairman, Mr Rudolf von Bennigsen-Foeder, has a seat on Hapag-Lloyd's supervisory board.

The two banks, along with many other West German banks, are uncomfortable with large industrial holdings and Hapag-Lloyd's return to profit in the past two years is evidently making it easier to dispose of the shares. The group made net profits of DM 95m ($47m) last year, up 25 per cent and although this year's net might be lower, the company says it is doing better than expected.

The banks are selling to chosen shareholders rather than simply floating their stakes on the stock market to avoid the possibility of foreigners building up too strong a position in the company. The banks have said that foreign shareholdings may be invited, although it was not clear yesterday whether the Belgian participation, given Gevaert's close West Germany links, would be considered foreign.

Profits slide in first half at Mitsubishi

By Our Financial Staff

MITSUBISHI Motors Corporation (MMC), the Japanese car and commercial vehicle maker in which Chrysler of the US has a minority stake, yesterday reported a 62.3 per cent slide in pre-tax profits to Y5.42bn ($33.22m) for its first half to September.

The setback, which it blamed on the strength of the yen, came during a period of expanded export sales in unit terms, up nearly 6 per cent to 395,600 vehicles shipped. Sales by value were a bare 0.7 per cent lower at Y789.2bn.

Net earnings emerged marginally higher at Y5.32bn or Y7.60 per share compared with Y5.28bn or Y7.50 a share.

Mitsubishi Heavy Industries, its parent, has been shedding some of its holdings over the past year in order to raise cash.

Holderbank forecasts substantial increase

BY JOHN WICKS IN ZURICH

HOLDERBANK, the Swiss-based international cement industry holding company, expects "very satisfactory results" for the current year and a substantial increase in parent-company earnings.

In 1985, a 23 per cent improvement in net profits to SFr 44m ($25.58m) had already allowed Holderbank to keep dividends at SFr 80 per bearer share and SFr 16 per registered share despite an increase in capital from SFr 150m to SFr 210m.

In volume terms, group sales are expected to grow at a rate of about 10 per cent in 1986, with considerable increases in local currency turnover. When expressed in Swiss francs, however, sales will be "significantly impacted" by the sharp decline in the exchange rate of major foreign currencies. About one half of all group activities are carried out in the dollar area, where the average rate in terms of the Swiss franc has fallen by some 35 per cent.

This, says Holderbank, will mean that consolidated turnover is likely to fall by some 15 per cent despite the growth in sales volume. In 1985, Swiss franc turnover had been up 14.2 per cent to SFr 3.61bn. This development will not be fully reflected in consolidated cash-flow and net earnings, thanks to gains in productivity, reduced interest costs and lower energy prices.

The parent company itself expects higher income from investments, as well as a "more favourable financial structure and higher liquidity" as a result of the capital increases carried out in 1985 and 1986.

No plan to sell Avesta, says Sweden

By Sara Webb in Stockholm

MR THAGE PETERSON, the Swedish Industry Minister, yesterday dismissed speculation about the possible sale of the Swedish company Avesta, one of the leading makers of stainless steel in Western Europe.

Mr Peterson said there was no such plan. His statement in parliament follows rumours that the Swedish conglomerate, Axel Johnson, had held talks recently with its West German and Finnish steelmaking rivals – Thyssen and Outokumpu – with the intention of selling off its subsidiary, Avesta.

Mr Peterson said it was usual to hold such meetings to discuss commercial and structural questions in the steel business.

Vuitton outlines offer terms for Clicquot

BY GEORGE GRAHAM IN PARIS

LOUIS VUITTON, the up-market French luggage maker, has disclosed the details of its bid for Veuve Clicquot.

The offer comprises six Louis Vuitton shares for one Veuve Clicquot, valuing the champagne and perfume producer at FFr 4.37bn ($652m).

An alternative proposal offers a Louis Vuitton convertible bond paying 5¼ per cent at a nominal value of FFr 5,800, plus FFr 500 cash in return for each Veuve Clicquot share.

Veuve Clicquot's board is to meet soon to consider the offer but a company statement said the management viewed the bid favourably.

Louis Vuitton, which is advised by Banque Paribas, said it and Veuve Clicquot had complementary activities and obvious synergies.

The luggage producer has already begun work on a range of perfumes to be sold under its own brand name which will be backed by Veuve Clicquot's Givenchy perfume division.

In the financial area, Louis Vuitton contrasted Veuve Clicquot's heavy fixed asset burden in the form of vineyards and champagne stocks with its own relatively low fixed asset level and high cash generation.

Vuitton promised to remain faithful to "the typically French area of high quality and prestige products," keeping both the identify and the management teams of the component companies.

INTERNATIONAL COMPANIES and FINANCE

Tighter rules for Egyptian investment companies

By Tony Walker in Cairo

EGYPT IS strengthening the control of its financial authorities over fast-growing investment companies at a time when questions are being raised by officials about the security of deposits in some of these institutions.

A new law was promulgated in June this year which extended the supervisory powers of the Central Monetary Authority over investment companies which have been drawing business away from the commercial banks.

The measure provides for stiff penalties for investment institutions failing to abide by the regulations, which include strict notification procedures to the Central Monetary Authority.

The growth of the investment companies, which pay dividends on deposits as opposed to interest, is in part attributable to the strengthening Islamic trend in Egypt. Islam, practised according to a strict interpretation of the Koran, forbids interest payments.

At least one investment company in Egypt has been offering "dividends" amounting to a return of 24 per cent on money deposited in US dollar accounts.

Mr Ali Negm, outgoing governor of the Central Bank of Egypt, recently cast doubts on companies offering such generous dividends. His remarks reflected government concern about the burgeoning investment company sector. The authorities are worried that difficulties in one of the investment companies may rebound on the banking sector.

Meanwhile, el Rayan, the largest of the investment companies, has issued a strong denial that it is in difficulties, despite a run on the company by its depositors.

Blow for Japan's shipbuilders

BY YOKO SHIBATA IN TOKYO

JAPAN'S five leading shipbuilders and heavy machinery manufacturers were engulfed in the world shipbuilding recession in the first half to September, with business further affected by the yen's steep appreciation against the dollar.

All five shipbuilders suffered substantial falls in sales, and Mitsubishi Heavy Industries (MHI) will be the only company able to pay a dividend for the current year to March.

Even though MHI's interim pre-tax profits declined to one-tenth of the previous year, it confined its setback in net profits to 54 per cent, thanks to improved net financial balance and a gain from sales of its equity holding in Mitsubishi Motors.

Ishikawajima-Harima Heavy Industries (IHI) was the only company to report a sales gain in its shipbuilding division. But earnings in that sector deteriorated, affected by losses on order cancellations and a reduction in ship prices. IHI expects to find it difficult to return to the black even in the year to March 1988.

Kawasaki Heavy Industries (KHI) had to report the largest interim pre-tax loss and net loss, hit by a double-digit sales fall in rolling stock, plant and iron structure, machinery and engines, which more than offset growth in its aircraft division.

Sumitomo Heavy Industries reported pre-tax profits of Y2.3bn ($14m) achieved on sales of Y8.7bn worth of securities. It is cutting its workforce by 850 to stand at 7,300, and is prepared to make another 2,000 to 3,000 redundant

JAPANESE SHIPBUILDERS

Parent company results, half-year to September 1986 (September 1985)

	Sales Ybn	Pre-tax profits Ybn	Net profits Ybn
MHI	789 (870)	3.07 (30.33)	16.92 (37.07)
IHI	373 (385)	−13.19 (8.84)	−12.76 (4.04)
KHI	273 (341)	−15.91 (2.64)	−16.01 (0.02)
Mitsui Eng.	109 (145)	− 1.15 (1.78)	− 5.95 (0.37)
SHI	104 (114)	2.31 (1.20)	− 3.89 (−1.96)

Fibre group exports hit by higher yen

BY OUR TOKYO STAFF

SEVEN LEADING synthetic fibre makers suffered from depressed exports caused by the yen's appreciation, combined with a fierce competition from newly industrialised countries in the first half to September.

Only Asahi Chemical, Teijin and Unitaka reported a profit in their textile divisions. Of the others Toray incurred a sharp 68.2 per cent fall in pre-tax profits overall, due partly to large investment in plant and equipment for new business areas which increased the burden of fixed costs.

For the full year Toray expects to reduce its dividend payment for the first time in nine years. Meanwhile, Toho Rayon cut its interim dividend by Y0.5 to pay Y2.

Teijin's pre-tax profits in its textile division tumbled to one sixth of the previous year's level, affected by the 30 per cent cut in production of fibres.

Unitika, which stepped up its sales of plastic film for food wrapping, plans to strengthen its divisions producing biochemicals and electronic parts.

JAPANESE SYNTHETIC FIBRE PRODUCERS

Parent company results, half-year to September 1986

	Sales Ybn	Sales %	Pre-tax profits Ybn	Pre-tax profits %	Net profits Ybn	Net profits %
Asahi Chemical	366	− 7.3	16.3	−10.8	6.8	−10.1
Toray	276	−14.3	4.7	−68.2	3.0	−56.7
Teijin	176	−17.3	11.4	−24.5	5.3	−24.8
Unitika	123	−12.9	0.8	−53.9	0.4	−50.9
Mitsubishi Rayon	94	−15.3	3.1	−33.2	1.6	−29.3
Kuraray	93	−10.3	1.4	−33.0	0.7	−30.3
Toho Rayon	35	−20.3	0.06	−94.4	0.05	−90.9

Co-op depositors face 784m ringgit loss

BY WONG SULONG IN KUALA LUMPUR

MORE THAN half a million Malaysian depositors will lose as much as 783.8m ringgit (US$301m) in total following a financial scandal among the country's deposit-taking co-operatives, according to a government white paper tabled in parliament yesterday.

Overall, depositors in the 24 co-operatives can expect to get back 55 cents for every ringgit they had invested.

As a solution, the white paper recommended that two co-operatives — Kosatu and Sakaap—be liquidated as they had suffered heavy losses. Another — Kooperative Serbaguna Malaysia (KSM), the biggest in the sector—should be unfrozen, and its management and members could decide on its appropriate course of action.

The remaining 21 DTCs would be taken over by banks and finance companies "in the national interest" and the Government would provide a soft loan of 100m ringgit to enable the takeover.

The white paper is the result of a three-month investigation by Bank Negara, the Malaysian central bank, which was given emergency powers last August to suspend the activities of the 24 DTCs which previously did not come under its supervision.

Its publication represents a major embarrassment to the Malaysian Chinese Association, the Chinese partner in the Government, as many of its leaders are directors of the co-operatives.

The extent of the losses is bound to anger the Chinese community, as most of the depositors are Chinese small traders and farmers, who were attracted by the higher interest rates offered by the DTCs.

The white paper also revealed the 24 co-operatives were badly managed, grossly under-capitalised, and there were instances of corruption in at least six DTCs, and conflict of interest among a further 13.

Most of the DTC's have invested heavily in the property and share markets, which fared badly last year.

The white paper also revealed that many Chinese politicians have taken loans from the DTCs, and many of these loans remain unserviced.

Of the 673m ringgit that the central bank had ordered to be written off from the DTCs' book value of 1.56bn ringgit in their assets, 447m ringgit it to be absorbed by KSM.

Ricoh profits slide by 42% in first half

By Our Tokyo Staff

RICOH, the Japanese office equipment maker, incurred a 42.2 per cent fall in pre-tax profits to Y9.02bn ($55.4m) in the first six months to September 1986. The poor results were blamed on a drop in its export income and stiffened domestic competition.

The yen's appreciation cut some Y18bn off the company's export income, a third of which was recouped by the mark-up of selling prices.

Ricoh's exports shrank by Y27bn from Y101bn to Y74.15bn which reduced its export ratio to sales to 31 per cent from 40 per cent a year ago. Interim sales declined by 5.1 per cent to Y239.04bn, the first half-year sales fall in 11 years.

For the full fiscal year, the company's pre-tax profits were projected at Y18bn, down 30 per cent on flat sales of Y490bn.

To cope with the strong yen and trade friction with Western countries, Ricoh will increase copier production in the US and Britain

Afrox ahead but cautious

By Jim Jones in Johannesburg

AFRICAN OXYGEN (Afrox), the 60 per cent-owned South African subsidiary of BOC Holdings of the UK, increased turnover by 16 per cent in the year to September but remains cautious on prospects for the present financial year.

Turnover rose to R391m ($172.4m) from R337m and pre-tax profits were R54.9m against R38.3m.

Earnings increased to 91.5 cents a share from 69.3 cents and the total dividend has been raised to 50 cents from 40 cents.

Are medium-term notes a suitable Euromarket investment? **Alexander Nicoll** reports

Slow European response to an MTN market

A BORROWER or investor landing in London and plunging into meetings with enthusiastic investment bankers might be forgiven for surmising that a medium-term note market exists in the Euromarkets.

It does not. Or rather, its only just beginning to develop. It is true that discussion has been going on for a year or so about creating a market. And glossy brochures are tumbling out of banks in a manner reminiscent of the launch earlier this year of the sterling commercial paper market.

But the fact is that only two, or by some definitions three borrowers have so far issued paper, and their combined outstandings do not amount to much more than $150m. After all the debate, as Mr Kevin Regan of Merrill Lynch points out: "Euro-medium term notes are conspicuous by their absence."

In the US, MTNs are offered continuously like commercial paper through dealers. Though programmes vary, investors can typically buy paper of literally any maturity ranging up from one year—in practice most maturities are concentrated below five years. The US market has built up some $40bn of outstandings within a few years and has active benchmark issuers such as General Motors Acceptance Corporation.

Is the product suitable for the Euromarkets, where the characteristics and demands of investors are not necessarily the same as in the US? This is where the debate starts. Who would buy such paper, and why? What would they expect from the issuer and dealer after they had bought it? The long delay in launching the market and the contrasting issue structures which are beginning to emerge, suggest that these questions are far from being resolved.

It is easy to see why MTNs are attractive to borrowers. They afford tremendous flexibility to spread out maturity profiles, to issue small amounts of debt to meet specific needs,

THE GAP THAT THE MTN COULD FILL

MATURITIES OF EURO-SECURITIES

Less than one year	Euronotes/commercial paper	$28bn
	Certificates of deposit	$75bn
One to five years	Straight bonds issued since 1984	$14bn
	Certificates of deposit	$12bn
Over five years	Straight bonds	$198bn

Estimates by Manufacturers Hanover

and to reduce the fees associated with a bond issue.

The investor perspective is different. In the US, investors buy MTNs generally to meet specific portfolio needs. Matched funding techniques of portfolio management are well developed in the US, and these create a demand from investors for paper of exact maturities, down to the precise day.

In Europe, these techniques are not as advanced. But the Euromarkets have their own problems. The Eurobond market has relatively few issues of below five years and secondary trading of issues which have only a few years to run is notoriously illiquid. Furthermore, many investors have become disillusioned with the performance of Eurobonds in the secondary market, with yield margins above Treasury bonds often widening considerably.

Differences of opinion about who the investors in MTNs will be are reflected in the fact that some banks have their Eurobond teams working on them, while in some the impetus is from the Euro-commercial paper side. The general assumption seems to be, however, that the main market for MTNs will be among Eurobond investors rather than Euro-commercial paper buyers looking to extend maturities.

They have found liquidity to be investors' chief concern. Paper issued in small amounts for varied maturities is obviously not expected to be actively traded, but investors want to be sure they will be offered a reasonable price for their holdings should their investment strategy change or the markets turn very sour.

Beyond that, however, there are different shades of opinion on exactly what liquidity means.

Most banks see MTNs in Europe basically following the same pattern as in the US, with essentially any maturity and any size of issue, but with shorter maturities of perhaps 18 months to two years and an added emphasis on liquidity. This is the basis of two outstanding programmes, for First Interstate which has been running for several months, and for PepsiCo which has been issuing over the past few weeks. Other similar programmes are also on the stocks.

First Interstate is understood to have issued a fairly small amount, and is not issuing any debt at present because of its bid for BankAmerica. Though the programme began on US lines, it recently added series maturities aimed at greater liquidity. Under this tap-like structure, developed by Credit Suisse First Boston, the issuer has the option to set predetermined maturity dates with fixed coupons for all notes maturing on each date.

PepsiCo, which is believed to have issued between $75m and $100m so far, actively discourages trading. Dealers are forbidden to take principal positions and to make prices to other professionals. But they are expected to make two-way prices to investors.

Mr Joan Beck of CSFB, one of the four firms acting as PepsiCo's dealers, sees its role as a buyer of last resort. "If someone wants to get out, we'll make him a market."

A more radical approach to liquidity has been taken by Merrill Lynch Capital Markets in London. The fact that it has committed itself to a new and different structure, called multi-tranche tap notes, is particularly striking given that Merrill has the lion's share of the US MTN market.

The first such programme, for Sweden's Electrolux, demands that for any tranche the borrower must issue at least $50m of paper, after which a tap is operated up to a set amount. This means that there is always a core of paper to provide liquidity. In addition, Merrill says it will maintain a spread to equivalent US Treasuries for the whole tranche of no more than about 90 basis points.

The structure is similar to a series of Eurobond issues with taps, but with distribution by dealers instead of a syndicate and the promise of a spread to Treasuries.

Maintaining a constant spread could be difficult if there is market disruption for interest rate or other reasons, or if a borrower's credit rating were to deteriorate.

Dealers in the Euromarkets may indeed be wary of committing themselves to maintaining liquidity in US-style MTNs, with potentially very small amounts of debt for any given maturity. After the difficult times experienced by Eurobond market professionals this year, the risks to the investment banks in establishing a new strand of the market are bound to play a part in setting its form.

For the moment, however, what the new market needs is issuers—especially benchmark ones such as GMAC.

Texas Air bids for People Express Swiss franc bonds

BY JOHN WICKS IN ZURICH

TEXAS AIR, currently in the process of taking over People Express, is to make a bid for Swiss franc bonds of the financially embarrassed cut-price airline.

According to Banque Paribas (Suisse), a formal offer from Texas Air was expected for late yesterday evening or this morning. However, the Geneva bank said that an initial bid of 60 per cent of the bonds' face value had been raised to 65 per cent. This compares with yesterday's market price of some 56 per cent.

The SFr 150m convertible issue was floated in December of last year at par and with a coupon of 5¼ per cent. Its secondary market price fell sharply in recent weeks with news of People Express' serious difficulties.

As the original lead bank, Banque Paribas (Suisse) says a deadline of December 9 is foreseen, by which holders of 85 per cent of the Swiss franc bonds will have to have approved the bid.

● People Express, meanwhile, has reported a $122.9m loss for the third quarter to September—its last operating period as an independent company, writes Our Financial Staff.

The quarter's loss compares with $16.5m or 55 cents a share profit in the same period of last year. Sales of $340m compared with $270m a year previously.

For the first nine months, People Express lost $245m on revenues of $1bn, compared with a slim profit of $10m last year on revenues of $707m.

Australian dollar issues shine

BY HAIG SIMONIAN

AUSTRALIAN dollar issues were again in the limelight in the Eurobond market yesterday on the back of a strong currency, which triggered swap opportunities. Renewed confidence in Australia has also been shown by a bullish domestic equity market, down just a couple of points from last week's record high.

Orion Royal Bank led a A$50m 14¼ per cent 1991 issue, priced at 101¾, for the Victorian Public Authorities Finance Agency (VicFin), guaranteed by the State of Victoria.

The lead manager recognised the issue would get off to a slow start, partly because of quiet Continental markets ahead of today's holidays. However, VicFin paper was trading just within fees by late afternoon.

IKB Finance, guaranteed by its parent Industriekreditbank, came to the market with a A$40m 14 per cent 1991 issue, priced at 101½ and led by Bankers Trust International.

INTERNATIONAL BONDS

The Dusseldorf-based parent company has already made two previous Australian dollar issues as well as D-Mark, dollar and Ecu paper issues.

Secondary market prices for straight Eurodollar bonds were off between ¼ and ½ per cent yesterday morning, recovering by about ⅛ per cent.

Floating rate issues, meanwhile, were down about another 5 basis points across the board, in the morning, widening to about ⅛ by late afternoon. However, the benchmark Commonwealth of Australia floater had picked up to 99.07-99.11 by late afternoon against a low of 99.02-99.07 earlier.

Magna International made its Euromarket debut with a $75m 1993 par priced equity warrant bond, led by Credit Suisse First Boston. The coupon, indicated at 6¾ to 7 per cent, will be fixed on November 14.

The relatively young Canadian company is a leading car component producer. The issue's conversion premium will be fixed at a 20 to 25 per cent premium over the company's present share price.

Nomura International led a $70m 1991 equity warrant issue for Toshiba Ceramics, guaranteed by Mitsui Bank, with an indicated coupon of 3¾ per cent.

Two new Luxembourg franc issues were high points of Continental markets that saw German bonds a little lower and Swiss issues largely unchanged.

Credit Lyonnais issued a successful LFr 600m 7 per cent seven-year issue, to be priced on November 11, according to lead manager Banque Internationale a Luxembourg. Meanwhile, Banque Generale du Luxembourg led a LFr 300m 7⅞ per cent private placement for Swedish Export Credit, priced at 99¾.

Lloyds Bank Canada plans expansion

BY BERNARD SIMON IN TORONTO

BRITAIN'S Lloyds Bank became the biggest foreign bank in Canada yesterday when it formally took over the 54 branches and other operations of Continental Bank of Canada.

Now known as Lloyds Bank Canada, the bank said in full-page newspaper advertisements that it will aggressively seek both personal and corporate business. The bank has assets of C$6.3bn (US$4.53bn) and 1,600 employees, including those of a small Lloyds subsidiary in Toronto, formed in 1982.

Continental's senior management has been left intact for the time being, but a senior Lloyds official is to join the bank within the next month or so as deputy chief executive officer. Mr John Armstrong, the president of Lloyds' former subsidiary, will develop the enlarged bank's merchant banking business.

The disappearance of Continental Bank comes on the heels of an announcement last week that another of Canada's medium-sized banks, Bank of British Columbia, is negotiating the sale of a substantial part of its business to the country's biggest credit union, Vancouver City Savings.

The two banks are both victims of a run on deposits which followed the failure of two small Alberta institutions 14 months ago. Although both are regarded as well-managed banks with sturdy capital bases and satisfactory loan portfolios, they have depended heavily in the past year on advances from the Bank of Canada to make up for the withdrawal of wholesale deposits. Continental has borrowed up to C$1.4bn from the central bank.

The Government is understood to have played a key role in nudging Continental towards a strong partner. Lloyds paid C$200m for 90 per cent of Continental's assets and the bulk of its liabilities. Continental's share price has risen strongly since the takeover was announced in early October.

Bank of BC, which is Canada's last remaining regional bank, said it plans to merge an unspecified part of its business with a VanCity subsidiary to create a trust company. VanCity appears to be most interested in Bank of BC's strong retail base, which includes 41 branches in British Columbia and Alberta and assets of about C$1.4bn.

Euro-equity issue by Finnish insurer

By Peter Montagnon, Euromarkets Correspondent

POHJOLA INSURANCE, Finland's largest non-life insurance company, is raising the equivalent of some $50m in the Euromarkets through an issue of 3m B shares.

The issue is being led by Swiss Bank Corporation International and Kansallis-Osake-Pankki and is due to be priced next Monday at a small discount to the prevailing price of the shares on the Helsinki stock market. Yesterday they closed at FM 85.50.

This is among the first international offerings of equity by a Finnish company. It will raise Pohjola's capital by around 10 per cent as it currently has 20.6m A shares and 8.9 B shares, which carry lesser voting rights, outstanding.

As usual with a Euro-equity issue, the fees to lead managers are much more generous than those normally applied to Eurobonds. They total 4¼ per cent.

Holders of the new shares will be entitled to dividends in respect of 1986.

'Multi-tiered credit system' for China

By Robert Thomson in Peking

MR LIU HONGRU, deputy governor of the People's Bank of China, the mainland's central bank, yesterday outlined plans for a "multi-tiered credit system" which in the short term would include developing an interbank market as well as markets for commercial paper and short-term bonds.

He was addressing a delegation of Wall Street representatives, visiting Peking to offer advice on financial markets.

Mr Liu, who handles the day-to-day running of the central bank, said China intends to make increased use of devices such as interest and exchange rates as financial controls at the expense of direct intervention.

"At present, administrative measures are still indispensable in the system of overall regulation and control, because in China, the financial market is still at its elementary stage, and the overall financial regulation and control mechanism is not functioning in a normal manner."

He added: "As for the long-term funds market, the immediate emphasis is to bring finance activities up to normal, with stocks and bond issuance as the main form."

The symposium will run for four days, and speeches by the 24 visiting delegates will deal with, among other things, new financial instruments, technology in the securities market, and government regulation of stock exchanges.

Mr John Phelan, chairman of the New York Stock Exchange, is heading the delegation. He said that until a year ago, the NYSE "never dreamed of coming to China."

Asked if he felt out of place in communist China, he responded that "we have moved away from terms like capitalism and socialism" and that instead "we refer to our economy as entrepreneurial and market driven."

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on November 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	96	96½	[illegible]	[illegible]	8.36
Amoco Company 9⅛ 16	200	102⅞	103⅛	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	200	113½	114	[illegible]	[illegible]	8.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	56	56½	[illegible]	[illegible]	[illegible]
Bremer Lndsbk. 12½ 91 A$	50	97¼	98¼	[illegible]	[illegible]	[illegible]
Fiat Finance 14½ 89 A$	50	100½	101½	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; [illegible]; Chase Manhattan; Citicorp International Bank; [illegible]; Robert Fleming and Co; [illegible]; Goldman Sachs International Corporation; [illegible]; Kidder Peabody International; Merrill Lynch; [illegible]; Nomura International; Orion Royal Bank; Samuel Montagu and Co; [illegible]; Swiss Bank Corporation International; S. G. Warburg and Co; Wood Gundy.

FINANCIAL TIMES SURVEY
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Market Research

Companies engaged in market research are enjoying a boom but it is the big providers who show most growth. Efforts are being made to improve the quality of research.

Better image sought

By Antony Thorncroft

ALTHOUGH the UK's economic and industrial performance since the Second World War has been disappointing, this country is widely regarded as the world leader in the development and practice of market research.

Why the national talent in this discipline has failed to stimulate business to pioneer new markets or improve efficiency is an open question and bound up with the corporate distrust, until recently, of marketing, and the failure of market researchers to "sell" their talents strongly.

Even so the market research companies have enjoyed a sustained boom over the past decade, with an estimated turnover for the industry in 1986 of £204m. One significant trend has been the concentration of researchers inside specialist service companies rather than in the large users of research data.

The general pattern is for clients to employ perhaps one, fairly high level, research manager who buys information from the hundreds of small firms that offer a service. For this is an industry in which anyone can start up on their own and there is an unfortunate tail of one man bands, sometimes dubious.

But with turnover more than doubling since 1980 the growth has concentrated in the hands of the largest companies, with two, AGB and A. C. Nielsen, accounting for around a quarter of total turnover, and the 30 members of AMSO (the Association of Market Survey Organisations) responsible for 80 per cent of the business.

A characteristic of the largest companies is that they usually offer continuous surveys to clients and become, in effect, essential parts of the marketing planning.

It is unfortunate that the general public gets its awareness of market research mainly from political opinion polls and the companies — MORI, NOP, Marplan, etc. — that conduct them. This is just a tiny part, around £5m a year, of research turnover. Even so, by any objective analysis, the forecasts of the opinion polls when matched to the actual results should reassure users about the relevance of market research.

Until recently the official voice of market research was muted. That is now changing. The Market Research Society is this month celebrating its 40th anniversary. It now has 5,500 members (as against 23 in 1946), the majority of active practitioners in the business.

It is assuming a major role as the watchdog of the industry. Perhaps its most important recent initiative has been to introduce (from January) an Interviewer Card Scheme which is intended to reassure interviewees of the genuine nature of the questioner.

Most people will be aware of the practice of "sugging," even if they do not recognise it by name. It is when salesmen pose as researchers. The card scheme is designed to identify bona fide interviewers. Its formulation has caused some controversy in the industry—and AMSO has still to resolve its reservations—but it is obviously a step in the right direction.

Another campaign by the MRS to raise the standing of research is to try and enforce a code of conduct which reduces the possibility of research assignments being carried out basically for publicity or promotional purposes, using research to spark off a phoney news story.

While the MRS and AMSO have been making strenuous efforts to raise the profile of market research, both among the public and potential users, the profitability of the industry in recent years has not escaped the attention of the City. Rather belatedly research is following its close relations, advertising and PR, into the world of takeovers and public quotations.

Taylor Nelson has been bought by the Addison Consultancy Group; Research International (which includes RBL and Marplan in the UK) is to be taken over on January 1 by Ogilvy, a rare example of an advertising agency getting more involved with ownership of a research company, while MAS and Business Decisions have disappeared into Aidcom.

As well as selling out, directors of research companies have been eyeing the market on their own account. Millward Brown went public successfully, on the USM, and MIL is planning to do so in the next few months. MORI tested the water and then decided it preferred to carry on in its own sweet way. It is no secret that Saatchi & Saatchi has been hunting for a research company.

Obviously market research is benefiting from the same factors which have brought prosperity to advertising and PR—the consumer boom which has boosted the profits of packaged goods companies, the main users of research. The research revenue from consumer goods clients continues to drop slowly and steadily as a percentage of the total as research makes new converts, but it still accounts for over 43 per cent, with food and soft drink research responsible for half of this, at least among AMSO members.

Media research takes up 10 per cent of the total, followed by advertising, with 6.6 per cent. There is much talk of the growth areas, but although the financial sector increased by about a quarter last year it is only 4.5 per cent. Public services and motor manufacturers are other expanding buyers of research.

The Government is not a big spender, but local authorities, especially Labour-controlled councils, are using research to discover what their citizens think of services and MORI has built up a sizeable turnover in this sector.

Just as the sources of revenue for research companies change slowly so do their methods of working. About 55 per cent of the 8 million or so interviews conducted in the UK last year were done face to face. The telephone has increased in importance over the years, but seems to have stabilised at about a third of all interviews: it is, however, cheaper for clients.

Group discussions are few in number, less than one per cent of the total, but big in value, accounting for almost 10 per cent of research turnover, which explains the cheerful faces of the specialists in this qualitative sector.

Research in the UK is relatively cheap; it is technologically and academically advanced; yet its export achievements are relatively modest, accounting for about £12m a year in revenue. However it grew by almost 20 per cent in 1985, helped by the expansion in industrial research.

This has always been the most disappointing part of the business. Linda McHugh, chief executive of Industrial Market Research, attributes the failure of industrial research to make more of an impact to the absence of research budgets in capital goods companies, and the belief that markets change so slowly here that constant surveys of the market are unnecessary.

The result is that one key sector of national regeneration fails to exploit the national talent for research. The gap is filled by management consultants and international advertising agencies.

To some extent the traditional market research companies are being challenged across the board. This is because research is basically common sense, linked to the employment of skilled statisticians, a computer bureau, and a field force. The use by the City of research has probably grown much faster than the figures suggest but the work is being undertaken by advertising and PR agencies, like Charles Barker, or accountancy firms, like Arthur Young. With their consultancy background they are happy to provide research in the industrial and international areas where contacts are more important than a large field force.

The problems of the industry are those of success. There is a tradition of recruiting bright young graduates, but they are soon poached by rivals for higher salaries—£30,000 might be paid in the City for a 30-year-old, less elsewhere. Unlike advertising, the industry is dominated by British companies, rather than American (Nielsen accepted): indeed there are recent examples of British research firms taking the battle across the Atlantic.

AGB is set to acquire the CBS TV audience measurement contract, and Milward Brown has bought AD Factors to extend its expertise in advertising tracking to the US. For all its recent success the challenge for market research is to make itself better appreciated at home.

How AMSO companies performed in 1985

Order by turnover	Company name	Turnover £000	Profit/loss £000	Margin %	1985-84 turnover change %
1	AGB Research (including RSGB)	28,700	N/A	N/A	+17
2	A. C. Nielsen	16,163	N/A	N/A	+ 3
3	Research International (UK) Group*	12,048	N/A	N/A	− 6
4	NOP Group	12,043	629	5.2	+22
5	MRBI UK Group	8,179	669	8.2	+16
6	MIL Research Group	7,310	610	8.3	+28
7	Burke Research Services Group	7,112	558	7.8	+25
8	Millward Brown	6,225	812	13.0	+23
9	Taylor Nelson Group	6,094	584	9.6	+26
10	RSGB (included in AGB)	3,813	423	11.1	+11
11	BJM Research Partners Group	3,220	131	4.1	+ 7
12	Harris Research Centre	3,167	255	8.1	+32
13	MORI	3,166	129	4.1	+48
14	MAS Survey Research	2,970	N/A	N/A	+ 4
15	Business Decisions	2,634	N/A	N/A	− 8
16	Independent Research Bureau	2,350	101	4.3	+ 1
17	Gordon Simmons Research Group	2,319	80	3.4	+22
18	Gallup	2,263	0	0	+12
19	PAS Research	1,915	71	3.7	− 6
20	The Research Business	1,758	67	3.8	+39
21	Martin Hamblin Research	1,637	75	4.6	+26
22	Schlackman Group	1,520	51	3.4	+16
23	Communication Research	1,331	50	3.8	+ 9
24	CRAM	1,000	170	17.0	− 7
25	IFF Research	807	10	1.2	−12
	TOTALS	135,931			+14

* Now including Marplan.

Average profitability 1985: 6.1 per cent; compares with 6.5 per cent in 1984.
NOTE—All figures exclude non-research turnover, inter-company transfers within Groups and consolidated results from overseas subsidiaries.

Association of Market Survey Organisations

1985 compared to 1984

Total turnover of member companies: £136m (up 14 per cent).
Total number of interviews conducted (ad hoc research): 7.1m (up 11 per cent).
Principal interviewing methods:

	Value 1985 %	Value 1984 %	Number 1985 %	Number 1984 %
Personal interview	60.7	58.3	55.2	52.3
Telephone	12.7	12.7	32.0	32.9
Hall test	11.8	11.3	5.8	6.2
Group discussion	9.5	11.7	0.9	1.4
Post	5.3	6.0	6.1	7.2
	100.0	100.0	100.0	100.0

Total exports: £9.5m (up 19 per cent)
Exports—source of revenue:

	1985 %		1985 %
Pharmaceutical	23.3	Media	5.7
Industrial	16.6	Others	26.7
All consumer goods	14.5		
Vehicles	13.2		100.0

Value of fieldwork purchased from abroad: £6.9m (up 25 per cent)

Market Research 2

Who's Who

Takeovers and going public in the air

UNTIL RECENTLY most market research companies were rather faceless organisations. They tended to be run by researchers, rather than businessmen, who were quite content to get on with the job of making a very good living, while leaving the publicity limelight to their fellow plodders in the marketing services industry, the advertising and PR men.

That is now changing. More than a decade of prosperity, with one slight dip around 1980, has given researchers a taste for a tangible reward from their endeavours; and takeovers and public quotations are in the air. Research companies are at last beginning to expand overseas as well.

This reticence does not apply to AGB, the largest research company in the UK, public for many years and already getting more than half of its £110m revenue from overseas. Some of its sales are from its publishing activities, but it remains reolutely a research company, with a firm grip on some large and profitable continuous surveys, the key to success in the industry.

For over a decade AGB has measured the British audience for television, a contract worth around £2.5m a year, and its pioneering work with "people meters" (which displaced the old-fashioned diaries) has enabled AGB to win many TV measurement contracts overseas. It is now going for the big one: CBS, the American national TV network, is about to appoint AGB to measure its audience if the company can raise around £20m to finance the task. It is generally agreed that only one company can handle all national TV measurement in the US, so if AGB succeeds with CBS a vast market awaits it.

It is currently dominated by A. C. Nielsen, the largest research company in the world, with annual sales in excess of £520m. Nielsen now owned by Dun and Bradstreet, has vast resources and is fighting back hard in the US and introducing its own "people meters." It is confident that it can see AGB off, and, to make things more difficult for its British rival, it has just started to make a drive for more UK research business.

Until now, Nielsen in the UK has concentrated on retail audit measurement, a big operation, with sales of £16.2m a year, but without much scope for expansion (although this year a toy index was added, and a sports index is planned for next year). Nielsen wants to acquire British research companies as a springboard for making a bid for BARB, the TV measurement contract run by AGB, as well as developing into the new technology area. It introduced Scantrack this year, which uses sales data captured in-store by scanning installations at the point of sale to provide actual weekly sales results. Scantrack is already in operation in 71 stores.

AGB experienced a profit fall last year because of the cost of developing in Australia and the US, but its numerous continuous surveys — TCA (grocery purchases); Home Audit (consumer durables); TCPI (toiletries and cosmetics), etc— make it a secure company, subject to many take-over approaches. It has also been active in developing cable and view data, and already consumers at home can tell who it may concern what they think of their products, TV commercials, programmes, by a press of the button.

Next in size, with around £12m sales a year, come Research International and NOP. The former, which includes RBL and Marplan, is in the process of being taken over by Ogilvy's, the New York ad agency. It has been owned by Unilever, a fact that might have deterred some potential clients. It offers every kind of research, and is particularly strong on the international side. NOP, which includes Survey Research Associates, had an Omnibus survey among its services.

By using an Omnibus survey, companies can cheaply buy a question on a regular research survey which covers many areas. Other Omnibus facilities are offered by MAS, BMRB and Gallup, among others, and it is often a good way for a company to experiment with research.

Underneath these four comes MRB (which includes BMRB and Mass Observation), one of the few research companies still owned by an advertising agency, JWT — although recently there has been a trend for marketing companies to acquire research subsidiaries. Taylor Nelson has just been sold to Addison, while Burke is part of the Lopex group, and MAS and Business Decisions are in Aidcome. In the main, advertising agencies prefer to buy research on the market rather than control their own subsidiary — they find that their big clients expect research as a subsidised service.

MORI's founder, Mr Robert M. Worcester, who has decided against a public quote

The desire of some research companies to go public has much improved their declared profitability. Millward Brown, which last year acquired a quote on the USM, produced profits of £900,000 on sales of £6.6m in the last financial year. It is unusual among the larger research companies in getting the majority of its revenue from one discipline — advertising tracking (that is, evaluating the effectiveness of ads for clients. It is using the cash it raised on the market to buy into the US, and has secured Ad Factors, which is entrenched in the same sector.

Coming soon to the market is MIL, a well diversified research company with sales of around £9m and a particular strength in motor industry research — it provides a quality tracking service, and also organises sessions at which hundreds of potential consumers criticise car designs —and persuade the engineers to adapt their models. MIL is also big in health care, telephone selling, and office equipment research.

MORI has decided against seeking a public quote. Its founder, Bob Worcester, believes that "your attention turns from doing research to making money. He specialises in opinion polls, corporate image research, City and financial, and employee attitudes. Rather surprisingly, the approach of a general election is only likely to expand turnover in the polling sector by around 5 per cent.

While the major research companies maintain their dominance through their continuous surveys, which are very difficult for clients to drop out from after years of data accumulation, there are many small prosperous firms in market research concentrating in special fields, like Gallup, with its record industry expertise; BJM, in the qualitative, interpretive fields, and IMR and IFF, in industrial and commercial research. There is also the arrival of the management consultant and the financial marketing companies in this area. In the past, research companies acquired the information while consultants interpreted it: now the lines are blurred, with research companies prepared to make recommendations and consultants to gather the information.

PR companies, like Valin Pollin and Charles Barker, also offer a research facility. Typical research assignments are: talking to finance directors about how they manage their pension schemes; the reputation in the City of a client company; and the development of financial products and services, like credit cards and investment trusts. The main problem is over-researching the same people. City Research retains the co-operation of key interviewees by sharing some of the research findings with them.

There are no signs of slackening in the growth of market research companies. The main problem remains getting through to the right level of management in prospective clients, to persuade them of the need for research. It remains a budget that is quickly axed in bad times, and a recession could lower hopes of the companies that have suddenly realised that research can be the route not only to a good living but also to a pot of takeover gold.

Antony Thorncroft

Links with Advertising

Research seen as a learning tool

"ADVERTISING people who ignore research are as dangerous as generals who ignore decodes of enemy signals," says David Ogilvy, founder of the multinational agency which bears his name.

He may be overstating the case to make the point, but few advertisers and agencies in today's unforgiving world would risk operating without the backing of research to shape their strategies and monitor advertising performance. Tighter advertising budgets are partly responsible, forcing marketeers to look much more closely at how research can work to maximise efficiency and effectiveness.

Three principal research areas are of interest to UK advertisers.

● Diagnostic research (also known as developmental, creative or pre-testing) which occurs before an ad is completed, and often before it is even conceived:

● Monitoring research, or post-testing, which tracks the advertising during and after its run (most commonly this is tracking studies in the UK, unlike the US where day-after recall is still popular);

● Econometric modelling, statistical analysis by which it is possible to measure sales patterns against advertising and other marketing forces, thereby helping shape future strategies.

Few ads appear without some form of initial investigative research, an information gathering process before strategy is developed, which pinpoints the target group and directs the creative focus.

Ogilvy and Mather, the international advertising agency, tells of the launch of one of Ford's new vehicles. Research had shown that the company was viewed by the consumer as the archetypal mass producer of cars. The creative execution therefore had to shift the image, and this was done by using a silver vehicle, formal diagrams (suggesting engineering) and serious copyline.

Again, early research for a gas-cooker commercial showed that users regarded the product negatively in terms of cleanliness and design flair. O&M therefore highlighted those very issues in a bid to add value to existing perceptions. (Hence the "controllability" line in the ad and the concept of top cooks preferring gas.) The effect in both cases was an image shift. This would have been unlikely without research, says the agency.

"The emphasis on research these days is as a learning tool rather than a testing one," says Judie Lannon, creative research chief at agency J. Walter Thompson. "Research is an adjudicator, it teaches," echoes John Webster, executive creative director of agency Boase Massimi Pollitt.

Once an advertiser knows whom he is talking to and what he wants so say, the creative idea can then be "tested" to check that consumers respond in the desired way, yet quite often they don't.

Webster recalls his now famous Arkwright character in the John Smith Bitter commercials. Originally conceived as a solitary individual, living for his beer, he was judged an anti-social, miserable no-hoper. Yet, the concept itself drew an animated response from those who had seen it.

Soon, Arkwright had a wife, a house, a dog and a friend, and was producing results. So too with the popular Hofmeister bear. In his first incarnation, the beer bear was a posh, monocled character, but serious drinkers rejected him as being too removed and suggesting an expensive, specialised product. Changed into a Jack the lad character, the bear has become one of the most popular commercials on television.

JWT quote a pure and natural shampoo which in the days of fruity additives (like peach, nut or avocado) stressed its difference with the line "yes, we have no bananas," only to discover that consumers saw this as a lame apology.

Ogilvy remembers ideas "so wild that nobody in his senses should dare to use them until research found they worked. When I had the idea of writing headlines for French tourism in French my partners told me I was nuts . . . until research revealed that French headlines were more effective than English ones."

One of the continuing dilemmas for agencies and advertisers is knowing at what stage of development to research advertising before it goes on air or in print. Usually creative ideas are shown to target consumer groups (in the form of narrative tapes, or rough concept boards or animatics) and while this may convey the flavour of the advertising sufficiently in most cases, it doesn't necessarily work every time. Ads that rely on spectacle, for instance, where the special effects are all, or on humour where the way you tell them is all, are unlikely to perform well in the rough stages.

Advertising research (inevitably for an inexact science) has its limitations. The knack is knowing what they are. "It can only tell you what has just happened," comments Geoff Howard-Spink of Lowe Howard-Spink Marschalk. "You can't use it to predict the future. Judgement, intuition, insight are still as much a premium as they ever were."

The Heineken story is a favourite example. It "bombed" at the initial research stage, people had seen nothing like it, had no frame of reference with which to compare it and they rejected it. The agency was advised not to run the campaign. Luckily, no one listened. Six months later the advertising was reresearched and it flew through. Good advertising practitioners have to know where research stops and the creative "magic" takes over.

Monitoring research or post-testing occurs while the campaign is running and often thereafter. Millward Brown, the market research company which claims to have cornered a large slice of the UK market with some 40 of Campaign's top 100 advertisers on its books, has pioneered continuous tracking studies. Clients get continuous monitoring of advertising effectiveness, through tests which measure awareness (spontaneous and prompted), communication and brand image.

Econometrics, is a field of research that is absorbing increasing interest. "This year the number of agencies interested in this has exploded," says Professor Paul Ormerod of the Henley Centre for Forecasting. But he warns that technical developments have advanced so quickly that unless practitioners are aware of these, their efforts are wasted.

Agencies like JWT, O & M, Foote Cone and Belding, among others, have declared a strong interest in this field. Modelling is an attempt to put more science into the question of measuring advertising efficiency and to help marketeers answer vital questions, such as what is the return on advertising investment; to what extent does advertising affect pricing policy; what is the value of a brand; what is the optimum budget.

The process relies on accurate data and lots of it, as well as expert interpretation. Ormerod reports many companies which fail to keep records on a systematic basis. "Many companies have a huge amount of information but it isn't processed into knowledge," he says.

Though no one would claim that econometrics is the ultimate answer to how advertising money is well spent, it is an attempt to secure the best. Not to be confused with the creative process, it won't tell you what to say but will indicate if it has worked. As Ormerod puts it, "if you spend some £10m on an advertising programme it is surely worth another £100,000 or £200,000 to find out if its working."

To return to Ogilvy. "Research can be misused by agencies and their clients. They have a way of using it to prove they are right. They use research as a drunkard uses a lamp-post not for illumination but for support. On the whole, however, research can be of incalculable help in producing more effective advertising."

Feona McEwan

Alan Harper

Mrs Janet Weitz, managing director of FDS (Market Research): telephone research meets the need to know about "now" rather than "when"

Telephone Research

Speed up of results

TELEPHONE RESEARCH in the UK is now one of the most important sectors of the whole industry, accounting for about a third of all interviews carried out by market research companies.

It offers users the opportunity of market research which can be both faster than traditional face-to-face research methods as well as being more cost-effective, especially with the use of new computer technology.

But it also has its drawbacks, such as the inability of the interviewer to be able to use visual "prompts" and other types of feedback normal in personal interviews.

Telephone research has been widely used for some time in industrial research, mainly because virtually all companies had telephones. In addition, it had the added advantage that senior executives were usually more willing to respond to telephone surveys which are seen as less demanding of their time.

But the big chance in telephone research in the 1980s has been its development in the field of consumer market research. There are two key reasons for this growth.

First, is the obvious factor of the increased proportion of households with a telephone. More than 80 per cent of all households now have access to a telephone in their home—a level of penetration which enables telephone research to reach most types of consumer to make the research statistically valid.

In the US, where telephone research of consumer attitudes has been a feature for many years, it became viable when at least seven out of every ten households had a telephone.

The second key reason behind the growth has been the speed with which telephone research can achieve results. "During the frenetic marketing activity of the late 1970s, there was a need to know about "now" rather than "then," points out Mrs Janet Weitz, managing director of FDS (Market Research), one of the leading telephone research companies.

"Telephone research was able to meet this need since, being very fast, it enabled information to be collected, analysed, and dispatched in as little as 24 hours."

This speed of turnaround, however, did not come about overnight. Telephone research in the 1970s was carried out in a very rudimentary manner, basically using researchers in their own homes to contact an assigned number of respondents. Supervisors sat in on some researchers at home as part of the quality control process.

The completed questionnaires were sent back to the market research company which carried out the normal process of checking, editing, coding, and analysing the data.

On this basis, telephone research was little faster than traditional interviewing techniques. "The rationale for telephone research was based very much on the difficulty of contacting a particular respondent type or the geographical spread of the sample," says Mrs Weitz.

But when the demand for faster turnround in research became important, so ways were examined to speed up the telephone research process. Initially, telephone interviewers were gathered into spare offices at the market research agencies, enabling their completed questionnaires to be given in immediately.

This, however, was still far from satisfactory. What changed everything was the development of CATI—computer assisted telephone interviewing. CATI systems offer the chance to combine the cost and flexibility advantages of telephone contact with the increased control, and hence improved data quality, of the computerised interview.

CATI systems operate by showing the questionnaire on a visual display unit from which the interviewer reads the questions. Answers are then keyed in directly to the computer by the interviewer and the next question—which may depend on the previous answer—is then automatically displayed on the screen.

The development of centralised telephone research making full use of new technology was, not surprisingly, spearheaded by British Telecom in the UK. With 19m customers, BT has been conscious of the need to monitor consumer satisfaction with its efforts at all levels.

It was aware that US telephone companies such as AT & T had special schemes for surveying customer satisfaction. AT & T's Telsam (Telephone Service Attitude Measurement) had evolved over a decade in the US from postal questionnaires to computer assisted telephone interviewing.

BT decided to come up with its own system called Telcare (Telephone Customer Attitude Research). Three independent market research agencies—in London, Coventry, and Newcastle—each operate a special Telcare centre using CATI systems to find out from customers just how satisfied they are with BT's service.

Some 140,000 interviews take place each month with the answers to every one of the 2.1m questions stored on computer.

Analysis of the responses enable telephone districts to measure the quality of their service over time and for national managers to plan more effectively new customer services. All managers can order supplementary questions tailor-made to meet their local needs.

Computer technology has also helped to give telephone research significant cost advantages over other means of research. "Personal interviews are more costly in both time and expenses," points out Mr Nicholas Vesey, a director of Programmes, a company specialising in all forms of telephone marketing including research.

"Between 15 and 40 interviews can be carried out on the phone in a day, depending on the survey. Depending on the circumstances, telephone interviews can cost between a quarter and a tenth of a personal visit."

Mr Vesey also sees a number of other advantages of the telephone over other forms of research. "It is imperative," he says. "A letter can be ignored or thrown away—but a telephone demands attention."

He also believes that the telephone confers anonymity and attracts freer responses. "It does not cause the embarrassment or awkwardness that a personal interview might when discussing a sensitive subject."

Programmes was used this year by a company involved in a major takeover bid battle. Over a period of two weeks some 15,000 shareholders were contacted by telephone, providing the defending company and their advisers with a daily report on how shareholder opinion was responding.

After the first few days telephoning the analysis showed that the defending board was getting its arguments across to a substantial number of shareholders. But it also revealed that a significant number were confused about the issues — enabling the company to quickly adjust its advertising strategy.

The growth of telephone marketing in general and telephone research in particular has raised questions about standards. The Office of Fair Trading has already become concerned about the ethics of some telephone marketing operations and, in a bid to prevent official investigation of telephone research, the Market Research Society is seeking to maintain the high standards of the society's members in market research.

Mrs Weitz from FDS chairs the society's subcommittee on telephone research. "It has been suggested, for future inclusion in the Society's code of conduct, that telephone research companies should always end each interview with a restatement of the company name and the offer of the telephone number for transfer charge calls."

The sub-committee has organised on an experimental basis a Freefone number by which respondents may check on the bona-fides of a telephone research company. Some 17 telephone research companies have so far agreed to join the scheme which expires at the end of the year.

David Churchill

New Technology

Screen-based interviews on the way

NEW TECHNOLOGY looks like revolutionising the way market researchers work. Interactive—two way—cable television, viewdata systems such as Prestel and the spread of electronic point-of-sale technology through the retail sector all promise to give instant information about what consumers believe or how they act

As with most new technology, it is difficult to forecast when the new methods will become more cost-effective and convenient than face-to-face or telephone interviews.

Mr John Clemens, managing director of AGB Cable and Viewdata, believes that over the next decade technology will dramatically alter research methods and that viewdata will take a major share of a market that was worth an estimated £170m in 1985.

"My view is that the new growth area in market research will be the use of the television screen to collect research data of all types directly from respondents." Mr Clemens says.

As many homes in the UK already have two television sets as have one, those screens can be linked by telephone to a central computer allowing direct screen interviewing.

"I predict the slow and long-drawn-out death of personal interviewing," says Mr Clemens.

Screen-based market research dispenses with the need for interviewers and gives great speed of both data collection and delivery. All the data from a questionnaire can be ready for analysis within minutes of the interviews.

Proponents also claim that better results are obtained because the information is gathered in a domestic environment at a convenient time for the panellists.

The big problem is that only a few people so far have viewdata systems. Research companies therefore have to fit the homes of their specially selected panels with adaptors or separate viewdata sets.

Mr John Clemens, managing director of AGB Cable and Viewdata, believes that technology will alter sharply research methods during the next decade

There have already been impressive achievements in running instant opinion polls and instant verdicts from a home viewdata panel for talent shows on television. The system allows a verdict on the policies of a political party to be assembled in about 20 seconds.

The panel receive instructions on their viewdata screens and the votes then travel by private wire to a graphics computer which provides a broadcast-quality video output.

The graphics bars move in response to the votes cast, with the computer recalculating the latest responses to the questions every half-second.

At the 1983 election instant voting panels got to within 1.5 per cent of the actual result—although their views may have led marginally in the direction of the Alliance.

Viewdata technology is already being used to measure the effectiveness of television advertisements and provide more accurate up-to-date ratings on the programmes themselves.

AGB Viewdata now has a panel of 1,000 homes. Mr Clemens believes that the future of market research lies with cheap terminals with screens linked to networks and giving direct access to people's homes for the recording of data.

Viewdata is also being used to solve specific market research problems such as the medicine prescribing habits of general practitioners and their attitude to new drugs.

AGB set up a national panel of more than 150 doctors. For example, the system was used to find out how doctors were reacting when the Lancet raised the question of a link between the high progestrogen pill and breast cancer.

Up to 48 new products are monitored each week and doctors are asked about their awareness of individual products and whether or not they have prescribed them. They have even been asked about how ethical they regard pharmaceuticals advertising to be.

"Medilink is solely a market research service—but it is one that uses the new technology and recognises the need of the pharmaceutical companies for a fast play-back of information from doctors," Mr Clemens says.

Cable television could ultimately provide convenient pathways for collecting direct data from the home. The problem at present is that interactive cable is in its infancy. Most of the cable systems in the UK are simply old television relay systems which have been cleared of the traditional television signal to make way for four new channels of cable.

The new switched-star systems, which allow two-way communication, are only now beginning to be built.

Some time during the next decade enough people might be connected to interactive cable systems to enable socially representative panels to be set up.

Gallup is another polling group which is using advanced technology to improve the quality of information for such sensitive commercial barometers as the Top Twenty record charts.

It uses equipment which attaches a time pulse, changing every 15 minutes, to the details of the record sale. The company can tell which shop in the country has sold a copy of a record and at approximately what time of day.

Three times a week the shops are dialled up and the information is downloaded for detailed computer analysis. The detailed nature of the information makes it much more likely that any attempts to manipulate the charts will be detected.

Technology therefore offers the prospect of more reliable music charts, instant opinion on everything from AIDS to voting intentions, and with it the possibility of more cost-effective market research.

Raymond Snoddy

Market Research 4

Financial Markets

Expansion but dangers of over-fishing

A MAJOR hazard of being a City decision maker these days is that every other phone call is likely to be a market researcher asking for your opinion on everything from the reputation of a particular company, to who is out in front in the latest takeover bid.

Financial market research has undoubtedly been one of the major growth areas over the past five years, although it still only accounts for 4 per cent of the annual turnover of the members of the Association of Market Survey Organisations. Recently in the run up to Big Bang there has been an annual growth of at least 50 per cent. Despite the obvious opportunities, many market research companies have been slow to develop an expertise in the financial area, although some major operators such as MORI and Taylor Nelson have become very active in the field.

The problem in the past has been twofold; market researchers have shown an ignorance of the City equalled only by the suspicion with which the City itself has viewed research companies. This mutual distrust has enabled specialist companies, with staff recruited from financial backgrounds, to seize the initiative. Valin Pollen, the advertising and public relations group, has formed Consensus Research specifically to meet the demand, and City Research has established itself as the largest specialist research company in the sector.

All market research companies with an interest in the financial area are riding the wave of Big Bang. Deregulation has forced the City to become more marketing conscious and there is now hardly a stockbroker or merchant bank which has not recruited marketing specialists: and they in their turn have employed market researchers to establish the parameters within which effective targeting can be achieved. Hence the growth.

For the clearing banks of course, research is nothing new, but even their needs have grown enormously in recent years as they are obliged to defend their traditional customer base against the onslaught of the building societies.

As City companies' interest in the attitudes and needs of their customers has grown, financial market research has been deployed increasingly to diverse ends. New service development, corporate advertising effectiveness and corporate image research are just some of the categories on offer.

The deluge of work has brought about a new emphasis on multi-clients studies, conducted in key financial and investment markets, with subscribers sharing the cost, having an input into the questionnaire and receiving a full presentation of the findings and their implications.

The flurry of recent takeover bids has given the market researchers a further boost. With two companies jostling for position information is needed by both sides to assess their relative strengths and weaknesses in the eyes of the shareholders.

MORI has been involved in researching a number of takeovers and during the Spillers/Dalgety bid interviewed shareholders to test awareness of the latest pronouncements by the Spiller's chairman. More recently the string of flotations has spawned its own research, and consumer and City reaction to the TSB and British Gas share offers has been extensively tracked.

The rapid growth of financial market research has not been without problems, with over-researching of key target groups proving a major stumbling block. One leading investment manager has been approached over 40 times for his views. Dale Fishburn, a director of Valin Pollen, acknowledges the difficulty: "It is a very small pond and we are conscious of not over-fishing it," he says.

The research companies have responded by adapting their practices to minimise irritation to respondents. Taylor Nelson, among others, has established a number of panels made up of members of target groups such as pension fund managers, which are interviewed quarterly and frequently rotated to avoid inevitable "panel fatigue."

Tony Cowling, managing director of Taylor Nelson, feels that Pavlovian responses can be avoided by keeping questions factual. He believes that after an initial urge to impress, panel members settle down and give straightforward answers. However, Mr Roger Stubbs of MORI has reservations about the method. "These people can become professional question-answerers; they become conditioned to respond in a certain way and so are 'atypical' panelists," he says.

Another less visible difficulty market research faces in the City is the remaining resistance in key institutions to research findings. Mr Nick Spencer, a director of City Research, says that "the successful implementation of research findings by a company is dependent on how strongly the germ of marketing is injected into its management." Some observers say the City institutions do not yet have the necessary expertise to implement the recommendations of their market researchers.

One fact which has perhaps emerged above all others from that data collated by the researchers is that today's financial consumer is a sophisticated being, likely to be fully informed on a range of financial services. It is clear that research methods in their turn must become more subtle.

Consensus Research's Consumer Segmentation study is the first attempt to employ techniques traditionally applied to consumer products, in the financial market. Dale Fishburn believes the survey marks "the coming of age of sophisticated targeting in the financial area" and is a signpost to the future.

Despite the vagaries of respondents, in the short term the financial market researchers have every reason to feel confident in their continued growth, but deregulation will have its casualties. Where will this leave market research? Optimists say that a company's need for research grows in bad times, but experience in the consumer industry suggests that the research budget is often the first casualty of expenditure cutbacks.

In the long term the bigger institutions — the banks and the building societies — will be committed to marketing as a key tool in their strategy in a highly competitive market and as such will be keen users of research. But that research will be very different from the elementary telephone surveys which have been giving the City an unwelcome headache.

Allison Lobbett

Mr Roy Hollis (left) and Mr John Harrison, joint managing directors of TMS: widening from specialists in textiles and footwear into allied areas

Profile/TMS (Textile Market Studies)

A bespoke service

TMS, the only market research association in Britain which concentrates on the textile industry, has its origins in the much more expansive days of the UK fibre industry.

In the 1970s ICI Fibres, the Harrogate-based fibres arm of the chemical group ran its own market research department, selling its services to a wide range of customers as well as undertaking in-house work. Then as the textile recession began to bite and the company looked desperately for savings the company decided to sell the research arm.

Mr John Harrison, the present joint managing director, suggested, instead, that he should buy the concern and run it independently. In May, 1979, he and Roy Hollis, his fellow managing director, took the research department out and changed the name from Textile Market Studies to TMS. Today, it has a turnover touching £1m, a staff of 35 based in its Putney, south-west London, headquarters and a client list that includes most of the big names of the textile and clothing industry, from Burtons and Marks and Spencer in the high street to producers such as Coats Viyella, Courtaulds and ICI Fibres itself.

At the time of the buy-out TMS concentrated on two areas — a weekly survey of clothing and footwear which its former parent used as part of its long-term planning and a twice-yearly review of the domestic textiles market.

John Harrison says that "to create a new and different source of information for purchasers it was necessary to develop in different ways. The first was to create new databases, and as a result of this we produced the domestic textiles survey quarterly.

"Then we went into ceramics and furniture and lighting. These are both allied to the textile industry at the point of purchase, and so were logical extensions of our work."

Other things had to change, too. "Once we were outside the comfort of a big company like ICI we had to tailor our services to our customers much more. In place of the standard reports we previously produced we had to do something better and this meant investigating new technology. As a result of the move into this new technology we offer clients now a totally bespoke service," Roy Hollis observes.

"We do not offer an off-the-shelf service. We look at the clients' needs and match those with what we have."

This meant installing a mainframe computer able to handle the complex database the company uses and a network of micros providing instant access to information.

To expand the operation it was necessary to take this database and sell it to a wider audience and that meant approaching the retailers. As a result of this move TMS now gets some 60 per cent of its business from the high street and only 15 per cent from the fibre companies; only a decade ago the whole income came from the companies.

With over 100 companies using TMS on a regular basis, where next? The obvious market to tap, according to Mr Harrison, is the smaller and medium-sized manufacturing companies. "We have a high profile in the bigger company but the smaller concern does not use our services as much as we would like."

TMS will stay in textiles as defined in its widest sense. There is no intention to go into market research in jams or cars, for instance. Most of the work, too, will remain in the UK. Textile market research tends to be one-country dominated. French companies look after French needs, Italians look after Italy. The costs of setting up an operation abroad would be too high in relation to the return.

Anthony Moreton

The U.S.

Technology uplifts standard of statistics

TRENDS in the advertising business find their way quickly into market research, for both good and ill. The ill is that mergers, acquisitions and consolidations have taken hold in the market research sector.

With their clients, the advertising agencies, being shifted and squeezed in mergers, research is bound to constrict in the dwindling constellation of agencies. Saatchi & Saatchi has also shown a penchant for expansion beyond advertising to take in market research companies, a trend that may be in its infancy but can expect to be looked at by other agencies as they evaluate the role and structure of associated research groups.

But the good side of the research business is that advertisers' increasing wariness of the marketplace and need to determine the most effective pitch gives more work to research firms. Though the growth in market research slowed last year to an inflation-adjusted 7.9 per cent, compared to 9.4 per cent in 1984 and 8.1 per cent in 1983, results were taken to be encouraging, since there was no national election to bolster research revenues and growth continued to outpace advertising's.

Worldwide revenue of the US's marketing research companies reached $1.79bn in 1985, with only $369.8m coming from outside the US. Nearly three-quarters of the foreign income was earned by A. C. Nielsen, a division of Dun & Bradstreet since 1984.

Nielsen's $248.2m in domestic revenues also dominated the field. Though more than half of Nielsen's revenues were gathered abroad, the company's domestic income was three times the domestic revenue of the next largest company, IMS International, which also got more than half ($86.9m) of its total revenue ($171.1m) from international operations.

Between them, Nielsen and IMS accounted for more than 95 per cent of the international market research of American companies, with Louis Harris & Associates, the 18th largest company and a subsidiary of Gannett Co. the newspaper owner, representing the only other significant international presence with $5m of its $15.8m revenues garnered from offices in Paris and London.

The fifth largest company, Information Resources Inc, is just beginning to experiment with its research in Germany, but clearly there is considerable temptation, if not opportunity, for American companies looking to widen their horizons abroad.

With more turnover than the next four companies combined, Nielsen got $414m in revenues from its Marketing Research Group and $103m from its Media Research Group, though the greater growth came from the smaller unit, with 12 per cent compared to the marketing group's growth of 6.7 per cent. Nielsen has been fighting a rear-guard action to maintain the prestige and dominance of its network-television ratings in the face of increasing competition, notably from the people meters of AGB Research.

Top 20 in the US

1985 REVENUES

Rank 1985	Rank 1984	Organisation	Total research revenues† ($m)	% change against 1984‡	Research revenues from outside US ($m)
1	1	A. C. Nielsen Company	517.0	+ 7.7	268.8*
2	2	IMS International	171.1	+11.4	86.9
3	3	SAMI	138.5	+17.0	—
4	4	Arbitron Ratings Co.	122.0	+15.2	—
5	8	Information Resources	75.1	+22.9	3.0*
6	5	Burke Mrktg. Services	73.1	+10.8	3.7
7	6	M/A/R/C	46.3	+23.0	—
8	7	Market Facts	37.8	+ 5.1	—
9	9	NFO Research	34.3	+16.3	—
10	10	NPD Group	33.1	+13.4	—
11	11	Maritz Markt. Research	30.0	+21.4	—
12	12	Westat	25.2	+ 3.3	—
13	13	Elrick and Lavidge	24.6	+ 5.6	—
14	14	Walker Research	20.7	+ 7.1	—
15	15	YSW/Clancy Shulman	19.5	+14.7	1.0
16	16	Chilton Research	19.1	+15.8	—
17	22	Simmons MR Bureau	16.5	+32.0	—
18	18	Louis Harris and Asscs.	15.8	+ 3.3	5.5
19	17	ASI Market Research	15.7	− 4.3	—
29	19	Opinion Research Cpn.	14.5	0.0	—

* Estimates.
† Total revenues that include non-research activities, for some companies, are significantly higher.
‡ Rate of growth from year to year has been adjusted so as to not include revenue gains from acquisition. Advertising Age.

Nielsen is providing more sophisticated measurements identifying the viewer as well as what show is being watched among a larger sample to satisfy agencies and advertisers. But recent experiments have shown a discrepancy that lowers the actual numbers of viewers, causing ructions with the networks concerned that greater accuracy will dilute their numbers and boost cable and other alternate media.

Advertisers are also demanding more information on the number of televisions being "watched" by a video cassette recorder, which usually means that when people tune in they rush past the commercials.

Nielsen's marketing group increased its services to provide weekly product-code information from 1600 supermarkets nationwide. Called Scantrack, it can also be combined with market-specific information to gauge the impact of coupons and commercials (and even the weather) on purchasing decisions.

Such technology helps research companies provide better statistics for clients, as data increasingly correlate purchases with advertising and other influences.

Supermarket check-out scanners have come to play a large role in marketing research as major food-retailing chains discontinue marking individual items with prices and rely instead on scanners attached to cash registers. Information Resources Incorporated, which has linked scanners to specially provided commercials to its sample households, is beginning to scan purchases in other retailers like drug and variety stores to widen the scope of its research.

Research companies continue to find niches to match advertisers' needs. M/E Marketing and Research aims its research at the youth market by switching the focus on the minor buyers among package goods advertisers, including ketchup, snacks and biscuit makers, as well as fast-food chains and home computer makers. Marvin Schoenwald, M/E's chairman says, "Kids, especially teens, have tremendous economic clout."

The research has shown that boys do not like to see girls in commercials, though girls do not feel the same about boys; all kids find older kids more authoritative on commercials and kids start making brand decisions at the delicate age of four. In addition, kids do not make their buying decisions based on nutrition, but they like to have the information to pass on to their mothers, knowing they will be impressed.

With its close ties to the advertising industry, the American market research field could not escape the merger fever that struck over the past year, especially when research has been growing at a faster pace than advertising.

Selling-Areas Marketing Incorporated, a wholly owned subsidiary of Time Incorporated, and formerly number three, bought Burke Marketing Services Incorporated, number six, to create the second-largest American market research company. Information Resources Incorporated, a company that conducts comparative studies in selected markets by feeding special commercials to its data base, bought Management Decision Systems, and IMS bought Luning Park Associates.

In line with British purchases of advertising agencies, market research firms are increasingly finding their headquarters in London. YSW/Clancy Shulman, a combination of Yankelovich, Skelly and White and Clancy Shulman, were bought and merged together by Saatchi and Saatchi to make the 15th largest American research organisation.

NFO, the ninth largest market research company which specialises in postal and telephone surveys, is owned by AGB Research, and Mediabank Research Incorporated, the 28th largest firm which conducts personal interviews with a 20,000 adult sample, is 80 per cent owned by MAI plc. For the Americans to make bigger inroads abroad, they will have to fight the trend of being bought by foreign companies instead.

Frank Lipsius

MANAGEMENT : Small Business


Ian Leonard of G.T. Lighting (left) and Scott Edmonds of Jades Components: determined not to repeat the mistakes of their previous company

When a start-up is the only option

Peter Marsh reports on two Devon ventures

WHEN A business goes bust, the people thrown out of work can often become fired with the idea of setting up their own company — not least because of the lack of other work opportunities. That is exactly what happened when Shand Electronics, a Plymouth-based company on Britain's south coast making equipment mainly for the TV industry, went into receivership early in 1982.

Out of the ruins of Shand have come two small Devon-based companies, both of which are expanding and appear successful. GT Lighting, of Modbury, was started by Ian Leonard, ex-technical director of Shand, and makes emergency lamps — lights with their own battery and box of electronics which guarantee illumination in a power cut. Sales of what is now a 14-person enterprise are expanding at 20 per cent annually and reached £600,000 last year.

The second company, Jades Components, of Kingsbridge, which is about 10 miles from Modbury, makes coil-based electrical components used in products such as transformers and power supplies. The enterprise, started by three other ex-employees of Shand (including the latter's former managing director, Derek Esplin), expects sales next year of £1m, up from £750,000 this year.

In retrospect, Shand, which employed about 40 people, appears to have made a mistake often seen in small businesses —overdependence on one set of customers. Most of the company's work was in supplying UK-based TV concerns such as ITT, Rank and GEC, many of which were experiencing their own business problems. The market place was volatile and orders started to dry up.

Shand also had another, fairly small, area of activity—making emergency lamps, the business that GT Lighting was ultimately to take over. The electronic parts and coils used in such lights are related to those in TV sets, so the business was not too difficult for Shand to enter.

Moreover, emergency lamps represented an attractive, growing market. They are increasingly widely used to guarantee the safety of people in buildings such as pubs, old people's homes and cinemas. According to Leonard, however, Shand started to diversify into this area only shortly before going into receivership, by which time the company was already in a bad way commercially.

After the demise of the Plymouth company, Leonard drew unemployment pay for a week while deciding what to do. An engineer with wide industrial experience — he had formerly worked for Plessey and Marconi —Leonard says he had "enjoyed engineering for the sake of it. I had never thought of starting a company."

As there were few suitable jobs in the region, and he did not want to move away from the pleasant countryside of south Devon, Leonard soon realised that he would have no option but to set up on his own.

He contacted James Shorney, a Taunton businessman who was involved with running Shand. Shorney, a distributor of lighting equipment, had become chairman of the Plymouth company about a year before it went into receivership.

The two made a deal. Leonard would find the staff and premises needed for a new concern to make emergency lights, the more promising side of the Plymouth business. In return, Shorney would obtain the £100,000 or so (made up in cash and in stocks and equipment formerly owned by Shand and which were bought from the receiver) needed to finance the company.

The arrangement, according to Leonard, has worked well. He has the title of works manager and has no shares in the concern, which is controlled by Shorney and his wife. The company has built up business gradually, selling mainly via electrical wholesalers. According to Leonard, GT Lighting now accounts for about 8 per cent of the UK market in emergency lighting.

If anything, Jades had a tougher time getting into business than GT Lighting. Whereas the latter was able to move into a relatively new area of commerce which Shand had already started to exploit—and which looked reasonably promising—Jades started up making coils and transformers: components which had an old-fashioned ring to them and in which there was a great deal of competition.

According to Scott Edmonds, a director of Jades who had been production director at Shand, the company was determined not to repeat Shand's errors. It set out from the start to find a range of customers that would enable it to avoid dependence on a single industry.

The strategy appears to have paid off. Jades' components finish up in a number of different types of products, including aircraft, one-arm bandits (amusement machines), military equipment and computers. Customers include IBM, GEC and Microvitec, a UK developer of computer terminals.

The company also sends electrical parts, the design of which has not changed for 50 years, to India for fitting into railway engines. Because of the Shand connection, Jades also supplies GT Lighting with parts for the latter's lamps.

Besides Edmonds and Derek Esplin, an ex-Pye engineer who had been managing director of Shand, the other director of Jades is Alec Esplin, the son of the managing director. The company is run very much as a family affair: Edmonds is Derek Esplin's son-in-law and the wives of the three men have a significant say in the business. The three directors own equal shares in the company and divide up the work equally, according to Edmonds.

As in the case of GT Lighting, Jades started up mainly because the three founders could not find other jobs around Plymouth and did not want to move. "It was starting on our own or on the dole," says Edmonds. "In the end we thought that with our knowledge and contacts we would be able to make a go of it."

A base in south Devon — one of the more peripheral areas of England a long way from the country's industrial centres — has turned out to be only a slight disadvantage, according to both Jades and GT Lighting. Transport costs are reasonably low because the products of both concerns are relatively light and can be distributed around Britain largely by courier services.

Moreover, the attractiveness of Devon can work to the companies' advantage. "Customers like visiting us here because they can take a holiday at the same time," comments Edmonds.

Finding premises was initially a headache for both companies. South Devon is predominantly rural and is short of industrial buildings. Jades was originally housed in an ancient malthouse in the middle of Kingsbridge—this lead to complaints from local people about the noise—and the company now has a factory on a reasonably secluded industrial estate.

GT Lighting, meanwhile, at first took over a converted stable in Modbury. After outgrowing this building, it has just constructed a new factory, only a few yards from the main street of the village, which is one of Devon's most picturesque.

From the outside, the factory, which has a pitched roof and is tastefully painted, looks just like an ordinary house. This was done, on the orders of the local council, to make the building fit in with its surroundings. Leonard says this added another £40,000 to the £80,000 basic cost of constructing the workshop. But this was, he says, a small price to pay for being able to run a factory in such a pleasant part of Britain.

UK enterprise lacks quality of its European counterparts

BY GRAHAM BANNOCK

THE NUMBER of small firms throughout Europe is on the increase — apart from in Denmark — but those in the UK continue to have the lowest share of output and employment. They are also less profitable and less interested in training and organisational change than in other European countries.

In other words, despite great improvements in the tax regime (now the most favourable in the EEC) and in institutional financial facilities (arguably also the best), increases in new business formation in Britain have yet to be matched by improvements in the quality of small enterprise.

These are some of the conclusions which emerge from a new collection of studies of small business in seven European countries.

There is a clear need to know where developments in the UK differ from those in others and it is a struggle to find out why they differ. And struggle it is; statistics on small firms are always suspect and international comparisons are exceptionally difficult.

Happily, the contributors to a new book, "Small Business in Europe," avoid all the classic howlers still to be found in the growing literature on small business and the editors are careful to distinguish between small firms which are independent and those which are establishments of larger enterprises. They point out the dangers of using profitability figures without allowing for the scope that small business owners have for choosing between dividends and salaries.

The book does not confuse return on assets with overall efficiency, nor does it ignore differences in the structure of employment between large and small firms and other subtleties.

Despite all this care, many important questions reman unanswered. For example, why does the UK have a stunted small business sector? Could it be related to our high real interest rates and lack of subsidised loan capital? Not if experience in Switzerland, Italy and Denmark is any guide, though these instances could be exceptional. Could it have something to do with Britain's exceptionally developed and concentrated financial sector and the high proportion of savings invested in property? Perhaps it could but nothing on these broader aspects of capital markets is included.

The book makes more suggestions on the role of public policy. Among the countries included, only West Germany has an elaborate small firms policy enshrined in comprehensive legislation. Italy and, until recently at least, France and Denmark, the Irish Republic and Switzerland, do not really have a small business policy, though in the last two countries big business hardly exists.

It seems that explicit policies for small firms are not needed if, as in Switzerland and, to a lesser extent, France, middle class attitudes are all pervasive. In Italy, anarchical attitudes to regulation mean that small business is less bogged down by officialdom than it is in, say, Germany.

The problem in Britain, the authors imply, lies in class divisions. Still a fairly well disciplined country but with a reluctance to change, Britain needs an all-party approach to small business — as to other matters. It has not got one.

The Right believes in small business as a useful element in economic policy and the present government has done much to promote it; indeed it has recently elevated small business to a central position, but it has not thought through an explicit policy. (To do so would point to more radical action on taxation and consequent decisions.)

The Left, blinkered by notions of employer-worker conflict, seems to be unable to appreciate as the democratic socialist parties of other countries do, that small firms are important for growth and a powerful source of votes in the bargain.

In wrestling with these and other questions which this useful and fact-crammed book raises, the reader keeps wanting more information (and more comparable information at that). Some will wish that countries outside Europe had been included so as to point up more sharply some of the contrasts. Japan and the United States both have explicit small business policies and in this respect and in their economic vitality they compare well with Germany.

The sceptical will ask whether small firms are a cause or a result of a successful economy. No doubt it is not as simple as that but the generally high standard of contributions to this book, which contain quite up-to-date information, much of it not readily accessible elsewhere, will feed the debate.

Small Business in Europe, edited by Paul Burns and Jim Dewhurst. Published by Macmillan, £30 (£12.95 paperback). Graham Bannock runs a small business research consultancy.

In brief...

MANY of the subjects of the current takeover fever will end up disappointing their buyers because they were acquired for the wrong reasons.

That is one of the main themes of the recently published Buying a Business: a Guide to the Decisions, written by Mike Allen and Robert Hodgkinson, corporate finance specialists in the Manchester office of accountants Arthur Andersen. The book offers practical advice to developing businesses, on how to develop an acquisition strategy, control risk and how to seek out the right targets, through to negotiating and completing the sale and managing the aftermath.

Priced at £30, the book is available from Graham & Trotman, Sterling House, 66 Wilton Road, London SW1.

●

A JARGON-FREE guide to the laws governing intellectual property has just been published by the City legal firm, S. J. Berwin & Co.

The Businessman's Guide to Intellectual Property covers new laws on computer software and microchips, data protection, the new trade marks to be introduced this month for service industries, franchising, counterfeiting and satellite television. It deals with questions like how to stop rivals stealing products, protecting computer programs and the ins and outs of supplying spares for another company's product.

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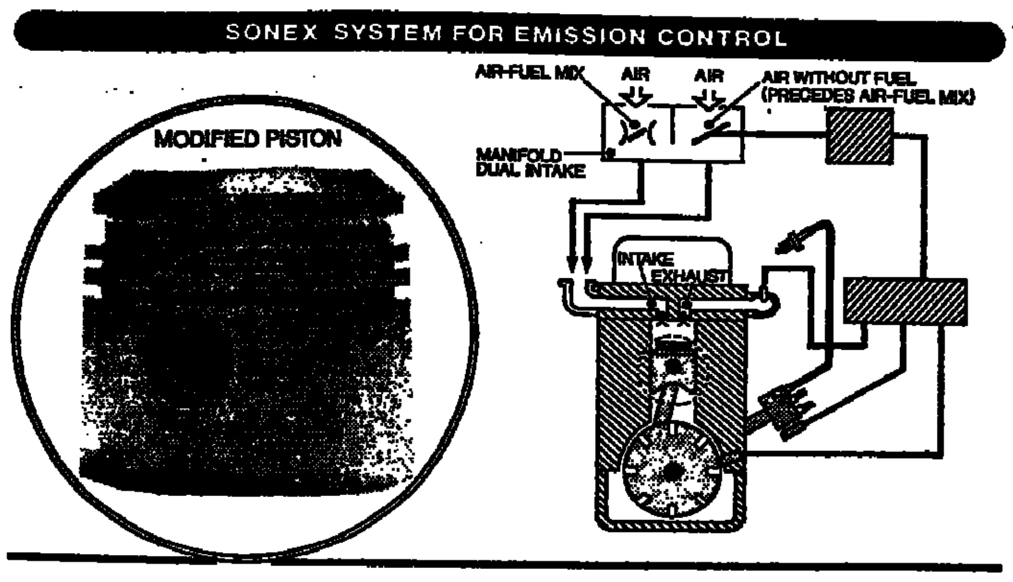
TECHNOLOGY

Engine emission problems solved at a stroke

John Griffiths looks at a "breakthrough" in the motor industry's battle to meet exhaust legislation

SONEX SYSTEM FOR EMISSION CONTROL



THIS WEEK, test driving will begin at the Motor Industry Research Association's facilities at Nuneaton, in the English Midlands, of an ordinary looking Ford Escort 1.6.

Roger Slee believes the engine powering it could make redundant the catalyst and "lean-burn" engine development programmes through which all car manufacturers are working to meet the EEC's planned strict exhaust emission standards.

"Hand on heart, I believe this system really could do it. Nor should a long development period be required. Someone like Ford could have models incorporating it in 18 months," says Slee.

Ever since the invention of the car, claims of "miracle" breakthroughs in its performance, economy or other aspects have been endemic. Usually they turn out to be as suspect as the bona fides of those who claim the improvements.

But Slee is executive engineer of AE Developments, the research arm of the UK components group which has acknowledged expertise in internal combustion and the components, especially pistons, associated with it.

The system now being evaluated in the Escort — it has been undergoing trials in the US for some time—involves the use of special pistons and some changes to the fuel/air mixture induction system.

It could be viewed as a "lean-burn" engine like others developed by motor manufacturers in that it works on very weak fuel/air mixtures. But whereas the "ordinary" lean-burn engine relies on complicated combustion chamber designs to "swirl" a pre-mixed fuel/air charge, the new system first injects a charge of air only then a fuel/air mixture — and then uses a radical piston design which on its compression stroke sets the combustion charge oscillating as ignition takes place.

Bizarre as it may sound, the system obtains its complete combustion effect by utilising the natural frequencies to which all materials are subject — and which produce, for example, the phenomenon of the wine glass shattered by a singer maintaining a certain note.

The test Escort, observes Slee, was retro-fitted with the equipment and has already demonstrated its ability to meet planned European exhaust emission standards. He suggests that only slight further development is likely to be needed to meet the even stricter US exhaust emissions legislation, which has required — as in Japan — the universal fitment of exhaust catalytic converters employing scarce rhodium and platinum.

There is no engineering reason why the system, conceived by Sonex Research, an independent US research company based at Annapolis, Maryland, should not be offered as an aftermarket fitment, he acknowledges — "except that the system, in this application at least, is aimed only at solving the emissions problem. It is not claiming higher performance or anything like that. And who's going to buy a kit of parts simply because they lead to lower pollution?"

Car makers in Europe have been particularly enthusiastic about lean-burn engines as a means of meeting stricter emissions standards, because they have also allowed for continuing improvements in fuel economy as the design skills have been acquired to make them run on ever-weaker mixtures. The new system, which also burns very weak mixtures, is therefore claimed to be at no disadvantage in terms of fuel economy, nor in performance.

The drawback of catalysts, apart from cost, is that they marginally reduce performance and increase fuel consumption.

AE was first approached by Sonex last year, and was initially sceptical about the claims put forward by what to AE was then a totally unknown company. However, following visits to Sonex's facilities, AE quickly moved to take up a development contract.

If it really does live up to its promise, the implications for vehicle manufacturers, and other sectors of industry, could be enormous.

Hundreds of millions of pounds already have been, and are still being, spent by car makers world-wide on alternative ways of reducing exhaust emissions. Ford of Europe, for one, diverted several hundred of its engineers to an additional, £200m crash lean-burn engine programme when, in June 1985, EEC Environment Ministers produced a directive to reduce emissions for all cars according to a set schedule.

Even though political in-fighting has left it formally unadopted, vehicle makers have pressed on regardless with the the programmes as if the legislation were inevitable.

A full three-way catalyst system is acknowledge even by its proponents as being likely to add about £400 to the price of an over 2-litre car from 1988. Slee estimates—"although it can only be a very rough guesstimate"—that the Sonex-AE system would cost half that or less.

Vehicle makers are hopeful of being able to meet the standards for under 2-litre cars with a combination of catalysts and engines employing "lean-burn" principles.

But even though Ford, one of the leading developers of lean-burn technology, has a "third generation" of lean-burn engines due to go into production at Dagenham next year, it readily acknowledges that the sheer complexity of the approach makes it a high consumer of time and resources.

Each lean-burn engine range requires a discreet design solution, involving a vast amount of computer modelling and "suck-it-and-see" work to promote the required combustion mixture turbulence.

Thus in a world where over 30m cars a year are produced, with around half of them now catalyst-equipped and the rest becoming subject to ever-stiffening emissions legislation, the importance of a system which could provide an acceptable, generic solution to the emissions problem—cheaply—could hardly be over-stated.

AE acknowledges the egg-on-face risk of heralding a "breakthrough" which, in the end, turns out not to be one.

But with the caveat that the system has yet to have an acceptable level of durability proved, the company is having difficulty muting its enthusiasm.

Slee describes the system as involving "high - frequency, oscillating combustion" of very lean air/fuel mixtures.

The inlet manifold is split into two; one carrying the mixture, the other only air. The air precedes the fuel mixture, creating a pocket of extremely lean mixture at the piston crown and a fairly rich mixture at the top of the cylinder.

Thereafter, the piston design holds the key. Its top is of smaller diameter than the cylinder, with a cavity which becomes filled by some of the lean mixture.

The cavity is designed to act like a resonator tuned to the cylinder's knock frequency. When pre-ignition starts — with slight knock — all the air starts to oscillate at the knock frequency. The cavity mix picks up the oscillation and vibrates even more violently but doesn't actually ignite because it is so weak. The oscillation ejects some of the lean mix into the combustion chamber itself and the lean mix quenches the flame front before it can spread.

The result, according to Slee, is an engine in which knock is controlled despite the use of lean mixtures, and in which the combustion flame can accelerate very rapidly, reaching up to 40 metres per second and which through its oscillations consumes all of the charge. "In other words," says Slee, "it starts burning earlier and finishes burning later."

The application of the system to the four-stroke 1.6 litre CVH Escort engine appears, however, to be almost conservative compared with previous development carried out on two-stroke Vespa scooter engines under a contract with Piaggio, their Italian manufacturer.

According to Sonex, its application to the two-stroke engine has improved emissions, engine performance and flexibility—but also made it fuel insensitive, and capable of running on petrol, alcohol or diesel.

However, Slee points out that "overall, manufacturers are just beginning to be aware. Quite rightly, they are taking a wait-and-see approach."

Certainly that is the case with Ford, which has a particular interest in the system since the principal guinea pig to date is from its own model range. As yet, it has been given few details of the system, and wants to know a great deal more about it before making any judgments. Given that caveat, as a Ford spokesman acknowledged this week, "this is their field and we hold AE in great respect."

Advances in image control give video a new kind of fluency

FILM AND VIDEO

by John Chittock

SOMETHING rather unusual is happening in the world of video and television—plain for all to see, yet barely recognised by many in the mosaic of recent technical developments. People in the business do recognise how new products are revolutionising the art of the impossible; especially those products which make specific tasks in controlling or manipulating images both practicable and easy. But a question rarely if ever considered or asked is "to where is it all leading?"

The developments in image control themselves are well exemplified by two new introductions which have only recently arrived in Britain. One is an American system linked to a British product—the da Vinci colour corrector, a video image processing system which has been installed by SVC Television, one of London's facilities houses.

In the SVC set-up, da Vinci is fed by the latest Rank Cintel telecine machine—so that film can be transferred to videotape with colour and image control applied by the da Vinci system. Such facilities are common enough, used extensively by TV commercial producers (who shoot mostly on film) as a way of applying colour correction or creating special effects.

The SVC installation is different because of the extraordinary degree of control over colour which is now placed at a producer's fingertips. In its most dramatic application, the colours of moving objects in a scene can be modified or totally changed without the use of elaborate and expensive "mattes."

The latter, which are rather like electronic image stencils, have to be prepared frame by frame to obliberate the moving object which is to undergo colour changes. A classic and pioneering example of this has been the Financial Times black-and-white TV commercials—in which the newspaper itself appears as pink with everything else around it in monochrome. Such effects have conventionally relied upon the creation of mattes by manual methods.

On the da Vinci system, once the colour and density of the object have been singularly identified by an electronic marker, computer control takes over and automatically tracks the outline of the subject; the operator can then change its colour at will—the computer faithfully matting in the new colour however the object moves.

SVC demonstrates the flexibility of this with its own in-house version of the FT commercial — only in this one the copy is somewhat disrespectfully torn up into little pieces. Against the monochrome surroundings, each scattered shred of FT remains precisely pink—a job which manual matting could never achieve. By pressing a button the operator can instantly change the hue of pink; even, unthinkably, to green or purple.

The second newly arrived product comes from France, via Bell and Howell in UK. Made by a small company in Paris, the De Grafe Silver Workstation is an imaginative attempt to make the computerised control of images available to end users and not just the facilities companies; even, indeed, to people outside the industry — such as architects, graphic designers and advertising agencies.

The De Grafe system allows image input from videotape, a rostrum camera (eg forcused on artwork), text (from a keyboard), direct drawing and electronic "airbrushing," transparencies and similar sources. In its most sophisticated configuration, it allows a user to create special effects on video (superimpositions, composites, matting), graphic control of page lay-outs, 3D perspectives, even animation of drawings.

The system is not engineered for the top-end of the broadcast market, but aimed primarily at the smaller video production unit working on ¾ in and ½ in videotape formats. It will enable an extraordinary range of image manipuation processes to be undertaken — each of which so often in the past has been the job of a dedicated and expensive piece of equipment.

Depending on the configuration of the package chosen (eg many users will already have U-matic or VHS video recorders or may not require animation, 3D graphics or certain other facilities), a total installation may cost as little as the desk-top computer already used for accounts; and a complete outfit with VCRs, rostrum camera and other peripherals — effectively a do-it-yourself kit of immense versatility—will cost in the region of £60,000.

Video producers apart, suddenly architects have a new and practical tool with which drawn and camera images can be combined, manipulated, turned into complete presentations. Advertising agencies can produce simple animation line tests for commercials, integrate video sequences with graphics, even try out instant design ideas with text, artwork and photographs.

From these two examples, and many more—such as the interfacing of video discs with computers—there is emerging a trend towards a new kind of fluency in the use of video. The images captured optically by a lens—whether of real objects, graphics or text—are no longer permanently etched in metal (the essential element in film and videotape). The optics now provide merely a starting point.

The consequences in the longer term may be as profound and culturally important as the Renaissance. Images become as malleable and accessible as words, pervading all manner of social and professional activities instead of being constrained by the limitations of processes or the specialised skills of those who employ them.

It is as if moveable type had been invented again by Gutenberg, but with images not letters of the alphabet; and no one has to learn to read in order to understand the message.

Perhaps this may lead to the society of which many have dreamed. In the foreseeable future, at least, our concept of television, video and other imaging processes will undergo a dramatic change: no longer mirrors of nature, reflecting an optical view of reality, but mirrors of the mind in which thought can begin to govern the tangible world of recognisable images.

Better margins lift Lucas to £95m

BY MIKE SMITH

Lucas, the motor and aerospace components group, yesterday unveiled a 65 per cent jump in pre-tax profits to £95.2m for the year to the end of July.

The result was in line with City expectations, but a warning by the company of flat demand in the UK motors market pushed shares down 10p to 469p. That compares with a high for the year in March of 651p.

Lucas's pre-tax gain was achieved largely through improved margins as sales were only up 8 per cent at £1.62bn. Earnings per share rose 37 per cent to 56.2p (adjusted 41.1p) and the board is recommending a final dividend of 10.4p per share, making a total of 13p (11p).

The provision for extraordinary items rose by £8.5m to £46.3m. Around £30m related to the group's Birmingham closures which will mean 2,000 jobs disappearing over the next three years. Another £10m resulted from write offs in the US where diesel fuel injection is to be replaced by petrol injection production.

Sir Godfrey Messervy, the chairman

Sir Godfrey Messervy, the chairman, said that despite the problems in the UK automotive market, the long term prospects for the group were encouraging. The aerospace and industrial divisions would continue to expand both by new contracts and acquisition. Lucas would also benefit from the recovery in the US economy and from the company's move into high value added products in the automotive industry.

The automotive division made pre-tax profits of £55.8m (£27.2m) on turnover of £1.17bn (£1.1bn). In the UK sales were £37m down at £594m, but a small pre-tax profit was achieved for the first time in several years. Demand from vehicle manufacturers in the first half of the year was not maintained and no significant improvement is expected during the current year.

In the rest of Europe, sales were 33 per cent higher at £385m and profits before tax were up 42 per cent at £26.7m. Elsewhere automotive companies boosted sales by 8 per cent to £194m and profits before tax were up 19 per cent to £24.9m.

In the aerospace division, sales were up £21m at £285m and profits were £31m, up £6.9m. The industrials department, which manufactures electrical, electronic and hydraul systems and components, increased sales by 19 per cent to £161m and profits by 29 per cent to £8.4m.

Lucas's UK companies contributed £958m, or 60 per cent, of sales but only £38.1m, or 40 per cent, of pre-tax profits. Reorganisation and redundancy costs taken above the line amounted to £14.9m, an increase of £6.5m.

Sales by overseas companies were up 25 per cent at £661m and their profit before tax increased by 29 per cent to £54m.

After spending a record £83m on improving group facilities, there was a small positive cash flow from the year's operations. Net borrowings at the end of the year were down £76m at £100m, to produce gearing of 19 per cent (39 per cent). The reduction reflected £89m raised by a rights issue and £16m used to redeem preference shares in subsidiary companies.

Expenditure on research during the year was £92m, against £85m in the previous year.

Profit attributable to shareholders was £66.6m (£41m).

See Lex

Hillsdown pays £15m for turkey producer

By Nikki Tait

Hillsdown Holdings, the acquisitive food, furniture and stationery group, is doubling its turkey interests with a £15m purchase from J. Bibby—the first Hillsdown deal since it cleared its debts via a £154m placing for cash last month.

Hillsdown is buying Bibby subsidiary Twydale Turkeys, which breeds and rears around 3½m birds a year and is a big supplier to major multiples, including Marks & Spencer. The purchase price will be paid on completion—January 5—and will be based on a premium over net asset value then. The figure is likely to be between £15m and £16m.

Yorkshire-based Twydale made pre-tax profits of around £1.8m in the year to end-September on sales of £19m. According to its current owners, it has been growing at around 12-15 per cent per annum in the past few years, and net assets currently total £8m. Profits earned up to the purchase date will go to Bibby.

Bibby, now an arm of the South African conglomerate Barlow Rand, says the business did not fit in with its corporate development strategy. It was the only direct retail chain supplier in the group, and sale proceeds will help reduce debt and fund future acquisitions. Bibby's chairman, Mr Bas Kardol, stresses that the company is still committed to its animal feeds and pig breeding operations. Last month Bibby sold off a service and maintenance company in a £12.2m management buy-out.

For Hillsdown, the acquisition effectively doubles the group's turkey output. Existing companies—which include Buxted and Harvest—produce around 3m turkeys a year. Says Mr Harry Solomon, joint chairman.

With both Buxted and Twydale based in Yorkshire, Hillsdown sees potential cost-savings on distribution and feed supply, although management of the two companies — Twydale's is staying — will remain independent. "The two together will be more profitable—it fits so well, we are very happy with the price," says Mr Solomon.

Heath rejects revised final offer from PWS

BY NICK BUNKER, INSURANCE CORRESPONDENT

PWS Holdings, the insurance broking group, has stepped up its fight for rival broker C. E. Heath with a revised and final offer to Heath shareholders including a new cash element.

The new offer was swiftly rejected by Heath, which said it could see no benefit for the group's shareholders "either in logic or in terms." Heath is proposing a merger with another broker, Fielding Insurance, which amounts to a reverse takeover and is fiercely opposed by Mr Ronnie Ben-Zur, PWS chief executive.

Heath also challenged a claim by PWS that yesterday's revised offer valued Heath at 557p per share. Heath's share price lost 12p yesterday to close at 500p. PWS closed down 12p at 290p.

Morgan Grenfell, the merchant bank advising PWS, said the revised offer consisted of three new ordinary shares in PWS plus four new convertible PWS shares in exchange for every four Heath ordinary shares. The convertible shares would have an estimated market value of 333.3p each, Morgan Grenfell added.

In addition, Heath shareholders accepting the revised offer could retain the 10p per share interim dividend to be paid by Heath for the six months to September 30. They could also elect to take a cash alternative of 275p for each of the PWS ordinary shares they would be entitled to receive under the offer.

There was no cash alternative in the initial PWS offer for Heath, made three weeks ago. It was made up of four new ordinary PWS shares and three new convertible shares for every four ordinary shares in Heath.

PWS would "satisfy from its own resources" cash elections received in respect of the first 12m Heath shares, Morgan Grenfell said. But the maximum cash payment by PWS itself would be £25m, with the merchant bank making a separate offer of 275p for the remaining Heath shares eligible for the cash election.

Morgan Grenfell said PWS reserved the right to increase the final offer—which has a closing date for acceptances of 3 pm on November 25—in the event of another bidder emerging or of Heath's board making a recommendation.

Heath said that the revised offer did "not include a full cash alternative. It still contains a majority of paper of uncertain value supported by cash." PWS's slipping share price had immediately undermined the offer's value, Heath said.

Hill Samuel expands in Ireland

Hill Samuel, the merchant bank, is expanding its investment management operations in Ireland with the acquisition of F. Fagan & Associates, an independent investment management firm.

Hill Samuel already has its own investment management operation in Ireland, with funds under management of about I£130m. Fagan, which manages about I£280m, will make the combined group one of the largest insitutional investment management firms in Ireland, Hill Samuel said yesterday.

It declined to disclose the cost of the deal, but said this was less than 1 per cent of its net assets, which stand at £179m.

Mr Neville Bowen, chief executive of Hill Samuel Investment Management Group, said the move represented a further expansion of its rapidly growing international investment management operations.

Whitbread sells TV South stake

BY RAYMOND SNODDY

WHITBREAD, the brewing and restaurant group, yesterday sold its entire 20 per cent stake in Television South, the ITV contractor for the south and south-east England.

The shares, which raised just under £19m, went to a wide range of institutions. The price is believed to have been about 265p, a small discount on yesterday's price of 271p.

Whitbread decided to get out of its only stake in independent television at a time when brokers' reports both in Britain and the US have been arguing that the assets of independent television companies are undervalued.

In July TV South announced first-half pre-tax profits up from £3.4m to £6.5m and a £19m rights issue for overseas expansion. Mr Lionel Ross, finance director of Whitbread, said yesterday the decision to sell had been taken because Whitbread's interests and those of the television industry had not been moving as much in concert as previously believed.

Whitbread believed that spin-offs from the television industry, such as satellite television would have been more relevant to Whitbread's pubs, clubs and restaurant businesses.

"If it's going to happen, it's not going to happen very quickly," Mr Ross said.

Plans for enfranchising TVS non-voting shares would also have diluted Whitbread's existing stake.

Whitbread bought its TVS stake from one of the company's founding shareholders, European Ferries, in April 1984 for around £6.5m. Whitbread also subscribed for the rights issue — a one-for-three issue at 200p.

"We have done quite well out of the investment," Mr Ross said yesterday.

Whitbread also said yesterday it believed it should concentrate management and financial resources in the UK in successful trading and retailing operations.

The shares being sold comprise 800 voting shares (20 per cent of that class), 6,623,333 ordinary non-voting (19.2 of that class) and £1m nominal of 10 per cent subordinated convertible loan stock 1997. They were placed by stockbrokers Capel Cure Myers.

Park Lane Hotel warns on profits

The directors of the Park Lane Hotel said yesterday in their interim statement that adverse factors beyond the company's control had seriously affected the tourist activities and that this would result in lower profits in 1986.

They added, however, that the underlying strength of the hotels business had been maintained. The interim dividend is being held at 3.25p net.

The company's share are unlisted. For the year to December 1985 its profits rose to £2.61m (£1.78m) pre-tax.

US group pays Suter £3m for UKO's ophthalmic side

BY CLAY HARRIS

Suter, the engineering and distribution group, yesterday sold Britain's largest maker of spectacle lenses to a private US company.

American Optical will pay nearly £3m for the ophthalmic operations of UKO International and take over about £12m in debt.

Suter, which paid £32m for UKO in April, sold the Dutch ophthalmic business to local management for £1.78m last month. It will retain UKO's other operations, including W. M. Still (catering equipment), Cory (coffee) and Willmotts (spectacle cases).

The deal is conditional on it not being referred to the Monopolies and Mergers Commission.

A previous bid for UKO, by Pilkington, was blocked in 1977. But UKO's market share has declined steadily under the pressure of imports and greater competition with the deregulation of the British optical market.

From an 80 per cent share at the beginning of the decade, American Optical believes that UKO now supplies less than 40 per cent of spectacle lenses. The operations being sold lost £1.7m before tax in the year to March 28.

American Optical has a small UK distribution operation, British American Optical. If the sale is approved, American Optical intends to import lenses from its plants in Brazil and Mexico.

Yesterday's sale marked an ironic turnabout from a deal 10 years ago, when UKO bought British American Optical's only UK manufacturing plant.

Warner Lambert, the US drugs and consumer products group, sold American Optical to private investors in 1982.

FIVE OAKS Investments: Pretax profits for year to June 30 1986 were £650,514 (£463,361) and earnings per share 9.18p (6.78p). Net assets increased five-fold during year. The company has agreed to sell one of its City projects to a private investor. Over 50 per cent of share capital is in institutional hands.

Berkeley Ex attacks offer from Ranger

By Lucy Kellaway

Berkeley Exploration and Production, the small UK independent oil company, yesterday hit back against an unwanted £11m bid from Ranger Oil, the Canadian-based oil group.

In a formal defence document sent to shareholders, Berkeley stated that its assets had been indepentently valued at 84p a share, well above the offer price of 45p.

The document pointed to Berkeley's success as an oil exploration company, claiming that its net acreage had increased 23-fold during the last five years and that it had made ten new discoveries, compared to a four-fold increase and eight discoveries from Ranger.

Berkeley denied that its purchase in January of oil production from the Forties field was mistimed.

"It is hard to see how Ranger can validly imply that this acquisition was mistimed . . . as at that time they were publicly forecasting that oil prices would stabilise in 1986 at $20 to $25 per barrel," the document said.

Furthermore, Berkeley claimed that Ranger had other motives in making the bid. It pointed to the blocks 48/18b and 48/19b in the North Sea, for which Ranger was currently fighting Lasmo to hold onto its operatorship, and in which Berkeley held a critical 11.7 per cent stake.

Altifund liquidation

Altifund is proposing to amalgamate with Capital Strategy Fund, an open-ended investment company incorporated in Jersey, and then liquidate in accordance with its articles.

Holders of income shares will be repaid 50p in respect of every 25p shares, with 30/31-sts of the revenue reserves.

Holders of capital shares will be invited to receive shares in the sterling gilt fund of Capital Strategy Fund, instead of their entitlement in a winding up (with a tax potential liability for UK holders).

Conversion thereafter may be made into one or more of the other 14 class funds of CSF. Former capital holders may alternatively elect to redeem their shares in the sterling gilt fund of CSF for cash.

Net asset value of capital shares at November 5 was 779.4p. Holders will receive participating shares in sterling gilt fund by reference to the mid-market price of the underlying listed investments. CSF has an aggregate net asset value of US$270m and is quoted in London and Luxembourg.

Altifund's register will close on December 3 and there will be a request for suspension of dealings on December 4.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Amersham ...int	2.5	Jan 5	2.42	—	7
City Dublin Bank	2.24¶	—	2.24	3.2	3.2
Drayton Consold	8	Dec 22	7.5	10.75	10
Futura Hldgs ...int	2.5	Jan 16	2.5	—	7.5
Granyte Surface ...int	0.3‡	Jan 5	0.75	—	2.1
King & Shaxson† ...int	2.5	Dec 15	3.5	—	8.75
LCP Holdings ...int	2.4	—	1.8	—	4.5
Lucas Indust	10.4†	—	8.4	13	11
New Throgmtn Tst ...int	1.25	Jan 15	1.25	—	3.35
Park Lane Hotel§ ...int	3.25	Dec 12	3.25	—	12.25

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock. ¶ Irish currency.

UK COMPANY NEWS

Exchange rate gains help Amersham over £10m

Amersham International, maker of radioactive materials, lifted interim pre-tax profits by 34 per cent from £7.77m to £10.41m, which was some £1m above market estimates. Turnover for the six months to September 30 1986 rose 24 per cent to £69m.

Attributable profits increased 21 per cent to £6.19m (£5.1m), but the company warned that these were unlikely to show the same rate of increase in the second half, due to the continuing higher tax rate and a rise in interest charges.

Progress was, however, expected to continue through the second six months.

The company said the rise in profits before tax was made up of £1m underlying growth, a negative factor of £1m because of competitive pricing policies in some overseas markets, and a further £2.6m exchange gain.

First-half interest charges were £1.02m (£1.06m). Tax took £3.69m (£2.39m) and earning per 25p share climbed from 10.2p to 12.4p. The net interim dividend is stepped up to 2.8p (2.42p)—last year's total payout was 7p on £17.55m profits.

Growth in the half year was achieved in all business sectors and in all geographical area. Demand for Amersham's industrial products was still increasing in a more difficult market. Though growth was worldwide, the largest increases came from Japan and Western Europe.

Sir John Hill, the chairman, said that the fall in the value of the dollar had meant fiercer competition from US-originated products. In the US, the weakening dollar hit earnings, but returns still improved in what is the largest market for Amersham's products.

Momentum was being maintained in the company's investment programmes, spending on R & D had been sustained at around 10 per cent of sales and substantial capital projects were underway to provide facilities *for future years.*

The policy of switching out of radioactive products was continuing. Currently such products accounted for about 90 per cent of sales, but this was expected to fall to between 60 and 70 per cent within three or four years, as new non-radioactive products were brought on stream.

During the period, Amersham bought the industrial gamma radiography business of Tech/Ops in the US and also Upjohn's range of research assays. The company said the two US acquisitions would increase interest charges in the second half by around £0.5m, but gearing would be kept to within internal guidelines of 40 per cent (at the end of September gearing was 33 per cent). There were no plans for a rights issue.

Amersham said it had no immediate plans for acquisitions, but these were a distinct possibility in the future. Dr Stuart Burgess, chief executive, said: "It's asking a lot if we are to maintain this rate of growth purely organically in future."

● comment

After a year in which Amersham's pre-tax profits were held almost static by heavy R & D spending and adverse currency movements, yesterday's 34 per cent advance came as a breath of fresh air, yet after an initial flurry of interest, a churlish market left the price 4p down at 438p. The shares have been on a strong upsurge all year so perhaps a little profit-taking was not surprising, but there may also have been those who considered that with more of the improvement coming from exchange rate gains than underlying performance, they might just as well be investing in currency options. This is probably unfair. Admittedly, a large chunk of this year's likely advance to £23m will come from exchange rate movements, but the past levels of investment in *R & D are now* beginning to pay off in terms of sales growth and next year's figures should show strong gains even without the crutch of currencies. On this basis the current year p/e of 16 should still leave room for the recent outperformance of the wider market to be sustained.

Expanding Whitlock helps LCP to £6m at six months' stage

BY NIKKI TAIT

LCP, the Midlands-based group with interests ranging from auto-parts retailing in the US to investment property in the UK, yesterday continued to hit back at the unwanted £153m bid from Ward Whie by unveiling a 32 per cent increase in first half profits.

The group, which brought the figures *forward* by two weeks as part of its defence, made £5.91m before tax in the six months to end-September compared with £4.48m in the same period a year earlier. Sales were 8 per cent higher at £94.1m.

LCP's Whitlock subsidiary—the US autoparts retailer which is the prime attraction for Ward White—showed a $2m improvement in trading profits, at $6.79m. However, because of the dollar's weakness, that translates into a 25 per cent increase in sterling terms, at £4.54m.

During the six months, Whit*lock added a further five stores* taking the total to 91. Also chipping into the trading figure was Motomart, the 12-strong chain which Whilock acquired in the second half of 1985-86. It made a £0.5m loss in that period, but added £300,000 to the first half total.

According to Mr David Rhead, chairman of LCP, there are around $1.8m of tax losses at Motomart — against expected pre-tax profits of $1m this year.

LCP said yesterday that it was currently looking to introduce point of sale computerisation in its Fhitlock stores—one of the potential changes Ward White has promised.

The group made £389,000 at the trading level from its French interests, which will be sold off to management in 10 days time at a £150,000 surplus to book value. Mr Rhead said the net effect of pre-tax earnings after the interest saving would be neutral.

The interim dividend increases by a third to 2.4p.

As far as the current half is concerned, *Mr Rhead describes* predictions as "no man's land" —not least because of the effect winter weather can have on the coal distribution business in the UK and on Whitlock's sales—but the company seems confident that the second will prove at least as good. LCP's defence

Commenting on the figures, Mr Philip Birch, chairman of Ward White, said: "There are no surprises—it still makes our offer look fullish."

And he hit back at LCP's latest circular to Ward White shareholders — defending the the increase in borrowing as a seasonal peak ahead of Christmas and pointing to the fact that Ward White has been able to pick up 5.5 per cent of LCP's shares, taking it s stake of over 8 per cent.

LCP shares closed 1p higher at 186p, compared with Ward White's offer worth 187p and its cash alternative of 180p. Ward White closed at 324p.

Lee Cooper stake

Lee Cooper, the jeans and leisurewear manufacturer which last month reported a downturn in pre-tax profits from £5m to £4m for the first half of 1986, yesterday said that the Paris-based Compagnie de Navigation Mixte had built up a 12.8 per cent stake in the group.

Brint buys Tyndall companies

BY HUGO DIXON

Brint Investments, the financial services investment company, has agreed to buy Tyndall & Co. and Tyndall & Co. (Isle of Man), the banking services companies, from Aetna Life, the US insurance group, for £9.75m. At the same time, Brint is paying £1.2m for the remaining 80 per cent of WestAvon, the small Bristol-based unit trust group it does not already own.

The acquisitions mark yet another transformation for Brint, which started as a shipping company with the name Hall Brothers Steamship, then *moved into mining investments* and since 1984 has been investing in the financial sector. In the latest metamorphosis, Brint's aim is to become a financial services company and is changing its name to Tyndall Holdings from April 1987.

Aetna bought the Tyndall Group from the Globe Investment Trust in February. It will keep the insurance and investment services part. These, it said, fitted in more closely with its mainstream business in the UK.

To pay for the acquisitions, Brint is issuing 9.44m new ordinary shares at the price of 170p per share, of which 5.79m have been placed with institutional and other investors.

The issue leaves Brint with £5m more than it needs for the acquisitions, which is being used to boost the capital reserves of the two Tyndall banking services subsidiaries. The whole deal is conditional on the approval of Brint's shareholders.

Yesterday Brint also announced that it had made a pre-tax profit of £354,000 for the year to August 31 1986, compared with a loss of £1.18m in the previous year. Earnings per share were 9.9p, compared with losses of 30.7p.

Richard Thompson takes control of F. Copson

BY DAVID GOODHART

Mr Richard Thompson, the 25-year-old son of Mr David Thompson, the founder and joint chairman of Hillsdown Holdings, has taken control of F. Copson, the Birmingham builders' merchant.

The market is clearly hoping that Mr Thompson (Jnr) will be following in his father's footsteps and—briefly—Copson's share price rose from 55p to 105p on the news. However, the price moved erratically through the day and closed only 7p up at 62p.

Mr Richard Thompson has paid £1.25m for the controlling 50.1 per cent in the company previously held by Mr and Mrs Fred Copson and following Stock Exchange regulations has made an offer for the remaining 49 per cent of the share capital at the same price of 70p a share.

It is understood that Mr Thompson — who has had no previous experience of running a public company—wishes to retain Copson's public quote and will thus be happy not to significantly increase his present controlling stake.

Copson made a pre-tax profit of £152,000 on turnover of £7.08m in the year to 30 April, 1986. The bid values the whole company at £2.5m.

Brown Shipley the merchant bank making the offer on Mr Thompson's behalf said that Mr Thompson had access to £2.5m "partly through inheritance and partly through money he has made as a trader in property and other assets." His father is well-known for his deal-making at Hillsdown

Dublin Bank I£3.85m rights

With the announcement of a sharp profit rise for the year ended September 30 1986, the City of Dublin Bank reveals a rights issue to raise some I£3.85m net (£3.6m) and plans to merge with its wholly owned subsidiary.

The subsidiary is Anglo Irish Bank and it has a separate banking licence. The merger is subject to Ministerial and shareholder approval.

City of Dublin produced total income ahead from I£14.13m to I£14.88m and a pre-tax profit rising from £286,000 to £903,000. Earnings were 3.98p (1.75p) and the final dividend is 2.2375p for an unchanged net total of 3.3p.

The rights will involve the issue of 8.5m shares at 47.5p on the basis of five-for-six.

Helene in bid talks

Helene of London, clothing group, said that it was in talks after an approach about a possible takeover bid. Its shares edged 1½p higher at 32p, valuing the company at £11m.

UK COMPANY NEWS

Re-shaped Cullen's nearly £1m in red at midway

Cullen's Holdings, retailer of groceries, wines and spirits, yesterday turned in a loss of £994,000, *after tax and exceptional items*, for the six months to August 31 1986.

For the same period last year, the company incurred a £855,000 loss, *but Cullen's said* yesterday that this comparison was not meaningful due to the reorganisation that had taken place.

In the 1985 period Cullen's had three convenience stores, *40 licensed grocers*, five *supermarkets* and 18 other stores. But since then, 20 licensed grocers had been disposed of or converted, together with all *supermarkets* and 16 other stores, while a further 31 convenience stores had been opened.

The *impact of losses* associated with the high rate of store openings would continue into the second half, Cullen's said. Overheads would be reduced to a *level consistent* with the revised growth programme.

The company continued to be committed to the development of a significant chain of convenience stores.

Cullen's established convenience stores were generally *now meeting* both sales and gross margin expectations. Stores in general had not managed to generate profits in the first six months trading. Head office costs, however, at £76,000 (£158,000), had been at a level appropriate to support the planned growth programme.

Turnover for the six months was £9.87m (£12.57m) and trading losses came to £918,000 (£697,000) before exceptional items—head office costs. There was again no tax as the board believed sufficient reliefs were available to offset any liability arising.

Extraordinary items, being profits on property sales, fell from £770,000 to £111,000. Stated loss per 10p share was 7.7p (7.8p).

See Lex

AMS shares fall after profit warning

AMS Industries, manufacture *of sound processing* **systems, saw a further decline in its share price yesterday following a warning about second half profits.**

The company said that indications given in the July interim report that profitability for the second half year to November 30 1986 was expected to be significantly in excess of that for the first half year, would not now be achieved. The shares fell 13p to 50p.

In the first six months the group reported a fall of 21½ per cent to £1.13m in pre-tax profits—hte total for the year to November 30 1985, was £3.1m.

The introduction of Audiofile during the first half of the current year had been very successful, as earlier predicted. Sales of that product range had now been increased to a level, which, by the final quarter, was compensating for the fall-off in sales of the audio effects systems, the directors said.

The group was having a satisfactory fourth quarter they said and the introduction of new products over the forthcoming year by AMC and by Calrec, gave the directors confidence for the future.

AMS came to the market at 95p in September 1985 and the shares have been as high as 125p.

Interest cut helps Granyte to 31% rise

WITH THE help of a much reduced interest charge, **Granyte Surface Coatings** lifted its pre-tax profit by 31 per cent, from £476,000 to £622,000, in the half year ended August 31 1986.

Mr William Junner, chairman, said he remained cautiously optimistic about prospects for the full year and beyond, even if the second half did not show quite the same growth as last year, when the profit was £782,000.

He told shareholders there were indications that certain segments of the woodfinish market were *still* exhibiting growth. The second half had started well and each location was very busy. The group makes specialised surface coatings, and is quoted on the USM.

Earnings for the half year were up from 2.23p to 2.8p and the interim dividend is lifted from 0.75p to 0.9p net.

Turnover was only maintained at £6.16m (£6.11m) but trading profit rose to £672,000 (£630,000). There was interest receivable of £16,000 (nil) and interest charged fell to £66,000 (£154,000).

The chairman said trading conditions had become more competitive but the group continued to secure new contracts at acceptable margins. It withdrew from certain areas where margins were inadequate and Mr Junner *felt* the interim figures vindicated that strategy.

RPH surges to £32m at six months

RPH, a publishing subsidiary of Reed International, increased its profits to £31.5m pre-tax in the six months ending September 28 1986, an *improvement* of 82 per cent over last time's £17.3m.

The advance would have been 60 per cent had *the reduction in pension* contributions been included in the figures for the *first half of last year.*

It was pointed out that a "dramatic" rise in consumer magazines profits reflected determined efforts by IPC Magazines to reduce *staff, production* and overhead costs.

Half-year turnover pushed ahead from £208.5m to £238.2m.

Last month, Reed *International announced* that its profits for the half year to September had risen by 57 per cent to £80.2m.

Futura sees similar year

Futura Holdings, *footwear* manufacturer and distributor, yesterday reported an increased *loss for* the half year ended July 12 1986, but was optimistic *for the year as a whole.*

Production values, turnover and trading profit for the year *were expected to be similar to* 1985, when turnover came to £6.3m, trading profit to £506,000 and the pre-tax balance to £407,000.

The interim dividend is being held at 2.5p net per share—the *previous final* was 5p.

In the first half turnover came to £1.67m (£1.68m) but the loss was pushed up from £40,664 to £65,854 because of a slight change in style categories of deliveries.

There was a tax credit of £23,048 (£16,266) but this time redundancy costs of £9,407 for a net loss per share of 7.19p (3.49p).

Redundancies resulted from reassesement of labour required at one manufacturing centre, and was part of continuing efforts to improve cost efficiency without affecting productive capacity.

BOARD MEETINGS

TODAY

Interims: Apricot Computers, De La Rue, Goldsmiths, Moorgate Mercantile, J. Sainsbury.

Finals: Clyde Blowers, Concentric, Cosalt, Microfilm Reprographics, New Court Trust, Scottish National Trust, Tiger Oats.

FUTURE DATES

Interims:	
Alexon	Nov 25
Dunhill	Nov 12
London International	Nov 18
Scape	Dec 4
Finals:	
Australia Investment Trust	Nov 19
Tomkinsons	Nov 25
Tyzack Turner	Nov 21

Enlarged King & Shaxson has satisfactory half year

THE DIRECTORS of King & Shaxson Holdings, the London-based discount house, *said* yesterday that group profits for the six months ended October 31 had been satisfactory.

The figures included those of Smith St. Aubyn *(Holdings)* from April 5 and were after writing off the start-up costs of King & Shaxson Money Brokers.

The interim dividend is a *same-again* 2.5p net per 20p share.

The group now owns the whole of the issued ordinary share capital of Smith St. *Aubyn, the costs of the* acquisition having been charged to reserves.

With effect from October 31 the entirety of the discount house business of King & Shaxson Ltd has been transferred to the *discount house subsidiary* of Smith St. Aubyn.

In future the merged discount house businesses will be *carried on* by King & Shaxson Ltd.

The Bank of *England* gave King & Shaxson Holdings permission to operate as a Stock Exchange money broker nearly three months before the *Big Bang on October 27.*

Cannon Street buys Stalbridge laundry

Cannon Street *Investments*, the acquisitive USM-quoted holding company, yesterday announced its second acquisition in a week by purchasing the **Stalbridge Kwick Klean** Laundry for up to £2.77m.

The Stalbridge Kwick Klean Laundry provides a specialist dry cleaning and laundry service *to the City of London.* It supplies catering establishments in the City ranging from the Mansion House to the restaurant La Gavroche. The company produced pre-tax profits of £256,000 on turnover of £1.04m in its last financial year to April and is expected to muster annual profits growth of 30 per cent from now onwards.

Cannon Street will make an immediate payment of £425,000 in cash and £205,883 in shares to the laundry's owners. It has agreed to pay further performance-related payments worth up to £2m over the *next three* years.

F. Cooper

Frederick Cooper, specialist engineers, *is buying* **Futters**, electronic component and fastener maker, and **Deltron**, its electronic distributor, for a combined initial consideration of £4.43m satisfied by the *issue* of 3.85m new ordinary shares. In addition, £188,000 will be raised by the issue of a further 163,158 new shares to provide additional working capital.

There could be further profit-related payments, satisfied by cash or *shares.*

All of the new shares have been conditionally placed

MY Dart

In an article on **Astra Holdings** published on November 5, it was stated that **MY Dart** had absorbed Standard Fireworks. This was incorrect. **MY Dart** made an offer in April for Standard Fireworks which was later withdrawn.

APPOINTMENTS

Financial Controller for Scandinavian Bank group

SCANDINAVIAN BANK has appointed **Mr Gavin Cowen** as an executive director and group financial controller. He was assistant managing director of International Mexican Bank and formerly with Peat Marwick Mitchell & Co.

★

Mr Peter Barrett, managing director of VENT-AXIA, has been appointed chairman. On December 1 **Mr Peter Norris** becomes managing director. Prior to this appointment, he was sales and marketing director of Avery Hardoll, a GEC company.

★

Mr Peter Brice has become commercial director of THORN *EMI* FERGUSON. He joined in January as director of marketing from Black and Decker. He succeeds **Mr Stan Cholaj** who has joined Nissan UK.

★

Mr Ken Watson, financial controller, has been appointed finance director of TRAVELLERS FARE, British Rail's station catering division.

★

As part of the expansion of BURNS-ANDERSON TRUST COMPANY, **Mr** *Tony Smith has* been appointed to the newly-created position of director and general manager with responsibility for day-to-day operations, and the expansion of lending activities, of the licensed deposit taking and merchant banking subsidiary of Burns-Anderson. Mr Smith has joined from the Oyston Estate Agency Group in the north west, where he was *general manager.*

★

Mr Graham Lloyd has been appointed a director of MANDERS (HOLDINGS) from *January 2 as divisional managing* director—coatings and inks. **Mr Robert Pushouse** becomes divisional managing director—decorative division, and will also *be responsible for group personnel.* They will report to **Mr Roger Akers** who becomes chief executive—operations. **Mr John Farmer** becomes director of finance and *investment* and continues as company secretary. Mr Lloyd was managing director of BASF Inmont.

★

The newly-*formed consortium* of seven regional stockbroking firms, NATIONAL INVESTMENT GROUP has announced its inaugural board. Principal shareholders are Royal Life Holdings, Smith New Court and Electra Investment Trust with over 40 per cent of the shares held by ex-partners of the original firms now incorporated in National Investment Group. Board members are as follows: **Mr R. G. Woodhead**, chairman and chief executive), **Mr J. Brandwood**, **Mr D. W. Chanter**, **Mr R. O. W. Derby**, **Mr J. C. R. Downing**, **Mr J. R. A. East** (group operations director), **Mr N. R. Harrison**, **Mr A. R. Holt**, **Mr P. J. Leatherdale**, **Mr W. L. Long**, **Mr G. M. W. Oakley**, **Mr F. S. Singham** (finance director) and **Mr R. L. Stevenson.**

★

Mr Nicholas Mellersh has been appointed *the director* of the CABLE TELEVISION ASSOCIATION.

★

Mr George Müller has been appointed a non-executive director of COMCAP. He is a senior vice-president of Uhag Ubersee-Handel.

★

Mr Thomas W. Hardy has been appointed vice president, DEUTSCHE BANK, on the London team of the Frankfurt-based project finance department.

★

DATAPOINT (UK) has *appointed* **Mr Roger Smith** as financial director and **Mr David Berger** as sales *director.*

★

Mr Donald H. D. Forsyth has been appointed managing director of HENRY BOOT SCOTLAND, in Glasgow. He joined the company as a director in *1984.*

★

Mr Bill George, managing director of MASS, has joined the TIM ARNOLD GROUP as a partner and managing director of its newly-formed marketing services *division.*

★

Mr Laurence T. Wood has *joined* FAME COMPUTERS as sales director (designate).

★

MICHAEL PETERS FINANCIAL COMMUNICATIONS has appointed **Ms Jill Satin** as marketing director. She was with the TSB Group as advertising and marketing co-ordinator for the recent flotation.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
—	F.P.	—	35	27	Australia Inv. Wrts	35	......	—	—	—	—
250	F.P.	—	242	226	Avis Europe	242	+3	R7.6	2.4	4.4	13.5
§170	F.P.	28/11	207	186	BakerHarrisSaund's10p	202	−2	R4.0	2.7	2.8	18.9
§38	F.P.	28/11	42	39	✣B.C.E. Hldgs 5p	40	+1	Rd1.0	3.0	3.5	13.3
§115	F.P.	14/11	122	120	✣Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§130	F.P.	—	156	130	✣Bliston & Batt'sea. 10p	151	......	—	—	3.5	18.6
§95	F.P.	21/11	145	117	✣Blenheim Exhibits. 5p	131	+4	u2.1	3.2	2.3	17.9
§100	F.P.	21/11	109	100	✣Citygrove 10p	100	−1	R2.5	2.7	3.5	14.6
§105	F.P.	16/10	113	100	✣Eve Construction	113	......	u4.5	3.2	5.6	7.9
§135	F.P.	24/10	166	145	✣Great Southern 10p	161	−1	R5.2	2.2	4.5	13.8
185	F.P.	7/11	208	188	✣Interlink Express 5p	204	−2	R3.5	3.2	2.4	18.5
§135	F.P.	24/10	280	145	✣Local London Group 5p	255	−20	W5.0	1.8	2.8	28.7
—	—	—	110	110	Lon. & Gartmore Warr.	110	......	—	—	—	—
110	F.P.	5/11	141	119	Marlbor'gh Tech Man 5p	134	−2	R2.70	3.1	2.8	13.5
135	F.P.	20/11	154	143	Mecca Leisure 10p	149	......	R4.1	2.2	3.9	16.3
§105	F.P.	24/10	182	133	✣Miller & Santhouse 5p	175	......	u2.25	2.4	1.8	32.7
§175	F.P.	24/10	79	72	✣Nevage Trans 5p	72	......	R3.5	2.5	6.9	8.2
§90	F.P.	24/10	94	88	✣Radamec Group 5p	94	......	R1.28	5.7	1.9	12.9
§95	F.P.	21/11	97	89	✣Rotunda 10p	95	+3	R30.3	2.8	4.4	11.5
§110	F.P.	24/10	108	101	✣Ryman 5p	102	......	L1.5	3.2	2.1	17.1
100	50	14/11	102	79	TSB	79	−1	—	—	4.7	9.9
—	F.P.	—	52	52	Trinova $5	52	......	1.5c	—	2.0	—
§160	F.P.	5/12	179	163	✣Whitney Mackay 10p	164	−1	R4.0	3.0	3.4	13.5
104	F.P.	5/12	89	80	✣Woolfons Bet'ware 10p	84	......	dR3.7	1.5	6.2	15.3
**	F.P.	—	96	93	Yeoman Inv. Cap. 1p	93	......	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	17/12	185pm	140pm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	185pm	+15
§100	£10	8/1	12½	10	East Worcs. Water 12½% Red Deb 94-96	11	......
§100	£10	29/1	11	8⅝	Essex Water 11¼% Red. Deb. 2002-04	11	......
§101.41	£10	26/2	11¼	8	do 8½% Red. Pf 1993	11	......
§100	F.P.	—	107p	106p	Fed. Housing 9½% Conv. Red. Pf	107p	......
‖	Nil	16/12	9pm	½pm	Hartons 7% Cm. Cum. Red. Prf	½pm	−¼
§100	£10	15/5	9½	2	Mid-Sussex Water 11% Red Deb2012-16	5¼	......
—	F.P.	—	100⅛	100	Nationwide11¼% 26/10/87	100⅛	......
§101.87	£10	22/1	11¼	9	Portsmouth Wtr. 8¼% Red. Pf 1996	10	−1
§102.25	£10	8/1	11¼	9	Tendring Hundred Wtr 8¼% Rd Pf 1996	11	......

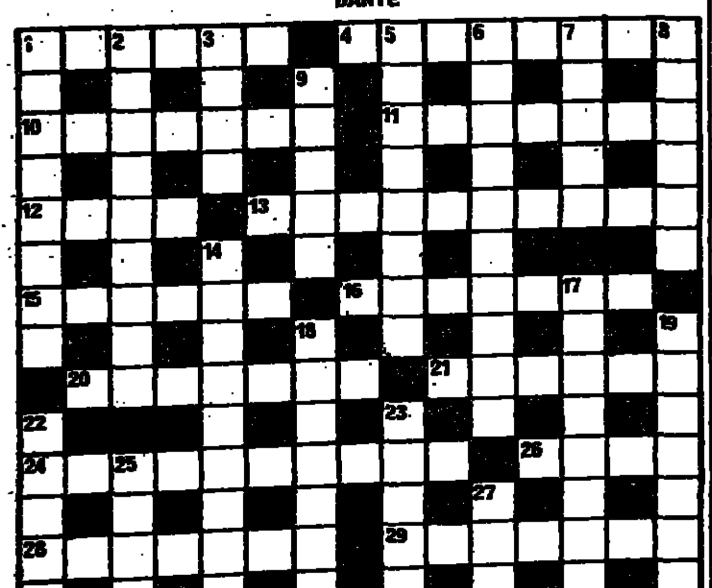
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
297	Nil	19/12	18pm	5pm	Bellway	5pm	......
330	Nil	16/12	70pm	46pm	Blue Arrow	70pm	+2
70	Nil	—	8pm	2½pm	Brit. Benzol 10p	5m	−1
12	Nil	—	1¾pm	1½pm	Elswick 5p	1½pm	......
285	Nil	15pm	15pm	3pm	FR Group	5pm	+1
40	Nil	—	16pm	10pm	Petrocon 12½p	10pm	−3
100	Nil	—	50pm	10pm	Ratcliffe (F.S.) Inds.	15pm	......
350	Nil	—	67pm	37pm	Redland	65pm	−2
720	Nil	9/1	16pm	2pm	Siebe	3½pm	+½

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ✣ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,174

DANTE



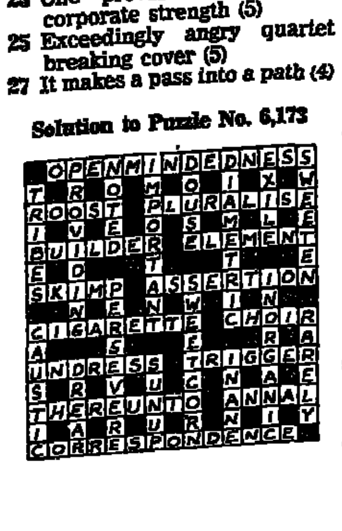
ACROSS

1 Hard worker in the city sacked long go (6)
4 In a way has a gift for writing on the wall (8)
10 and 11 Very healthy—but possibly highly strung? (2, 3, 2, 1, 6)
12 Cover used by an American gangster (4)
13 Not allowed to come out? (10)
15 Island colonist (6)
16 Holiday spot for senior accountant (7)
20 Possible purse of plenty (7)
21 A new stage setting may include them (6)
24 Gives information to a number in broken English (10)
26 Copperfield may be guilty or innocent (4)
28 Very keen supporter voted out by two points (7)
29 Adjusted the sails and docked (7)
30 Perhaps Ned does right to get confirmed (8)
31 Key batsman? (6)

DOWN

1 Masters the coversion of hectares (8)
2 Seen by the footballer shown the red card? Well, no (3-6)
3 Hothead raised the stake (4)
5 Come again to gather fruit (8)
6 Not too dark? Agreed (4, 6)
7 Business lacks go in Pakistan (5)
8 High spirits (6)
9 Publish and I p-prosecute! (5)
14 Black boxer capable of swift attack (3, 7)
17 A lower tender for the farm (9)
18 It was reconstituted before, so to speak (2, 2, 4)
19 His home is detached, naturally (8)
22 A petty officer (6)
23 One proverbial source of corporate strength (5)
25 Exceedingly angry quartet breaking cover (5)
27 It makes a pass into a path (4)

Solution to Puzzle No. 6,173



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth 0345 717373				
High Income				
Gilts & Fixed Int.	106.9	113.1	−0.1	10.41
High Inc Equity	95.0	101.0	+0.2	5.15
Worldwide Bond	192.4	205.9	−0.9	4.71
Capital Growth				
American Growth	158.1	168.1	−1.0	0.86
Asian Pacific	55.9	59.7	−1.5	1.09
Assets & Emgs. Tst.	108.4	115.3	+0.9	2.88
Capital Reserve	65.0	66.4	......	1.54
Commodity & Engy.	93.3	99.2	−1.3	1.15
European Capital	98.8	105.1	......	1.21
General	137.3	145.0	+0.3	2.91
Japan	73.5	78.6	+0.5	0.0
Mastertrust	66.3	70.5	−0.2	2.31
UK Growth Acc Units	149.3	158.8	+1.8	0.99
UK Growth Dist	103.3	109.8	+1.2	1.43
U.S. Emerging Co's	55.6	59.7	−0.6	0.08
Equities Prog	203.0	215.9	+0.1	3.39
Allied Dunbar Unit Trusts PLC (a)(g)				
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 28291. Dealing (0793) 610366				
Balanced Trusts				
Growth & Inc Trust	132.9	140.9	+0.9	3.22
Capital Trust	227.3	240.9	+2.4	2.87
Balanced Trust	359.9	381.5	+0.7	3.38
Accum Trust	549.6	582.6	+0.6	3.04
Income Trusts				
American Income Tst.	93.3	95.5	−0.3	4.16
High Income Trust	251.8	266.9	+0.7	4.86
Equity Income Trust	147.4	156.9	+0.5	5.01
High Yield Trust	144.8	153.5	+0.7	5.34
Gov't Secs Trust	27.2	28.3	+0.1	10.10
International Trusts				
Amer Spec Sits Tst	68.3	72.7	−0.7	1.35
European Growth Tst	23.8	25.0	[illegible]	0.80

	Bid Price	Offer Price	+ or −	Yield Gross
Charinco Charities N/R Fund‡‡				
33 King William Street, EC4 01-638 5678				
Income Oct 31	160.0		—	10.07
Do. Accum.	493.6		—	10.07
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Oct 31	381.09		—	4.99
Accum Oct 31	1103.93		—	—
Chase Manhattan Fund Mngrs Ltd				
72/73, Basinghall St, London EC2V 5DP. 01-606 6622				
S & C Spec Sits.	56.2	59.5	—	0.64
Clerical Medical Unit Trust Managers Ltd				
Narrow Plain, Bristol BS2 0JH (0800) 373393				
American Growth	24.3	25.8	−0.2	1.9
Equity High Income	43.3	46.0	+0.1	4.5
European Growth	29.4	31.4	−0.1	2.0
General Equity	39.1	41.8	+0.2	2.6
Gilt & Fxd Int Growth	27.3	28.8	−0.1	3.5
Gilt & Fxd Int Inc	22.7	23.9	−0.1	9.5
Indexed Securities	24.1	25.6		2.4
Japan Growth	31.3	33.2	−0.1	0.9
Pedigree Growth Trust	24.3	25.8	+0.1	2.5
Confederation Funds Mngt Ltd (a)				
50 Chancery Lane, WC2A 1HE 01-242 0282				
Growth Fund	243.5	258.4	—	4.25
Cornhill Unit Trust Mngrs Ltd				
PO Box 136, Beckenham, Kent BR3 4XR. 01-658 9611				
UK Equity Inc & Acc.	50.2	53.3	+0.2	3.5
Intnl. Inc & Acc	48.2	51.3	−0.5	2.0
County Unit Trust Managers				
161 Cheapside, London EC2V 6EU 01-726 1999				
Energy Tst	50.1	53.0	+1.0	3.96
European Growth Tst	74.6	79.0	−0.5	0.93
Extra Inc.	164.9	174.6	+0.5	5.35
Financial	168.5	178.4	+0.6	2.32

[illegible]

AUTHORISED UNIT TRUST & INSURANCES

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convert & Equity Tst	49.0	52.2	+0.1	7.53
Growth Trust	53.5	57.0	+0.1	2.17
Income Trust	55.7	59.3	+0.4	4.95

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	71.8	74.8	—	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	132.2	140.7	+0.6	3.05

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.9	210.5	—	—
Equity Ser. 1	104.1	109.6	—	—
Prop. Acc. Ser 2	279.1	293.8	—	—
Equity Ser 2	113.1	119.1	—	—
Selective Acc.	238.5	251.1	+0.1	—
Prop. Ser. 4	220.9	232.6	—	—
Equity Ser. 4	115.5	121.6	-0.1	—
Fixed Int. Ser. 4	174.2	183.4	+0.2	—
Indexed Inv. Ser. 4	108.9	114.6	—	—
American Ser. 4	260.7	274.5	-2.3	—
High Inc. Ser. 4	289.0	304.3	-0.3	—
Japan Ser 4	226.6	238.6	-0.3	—
Man. Ser. 4	348.4	366.8	-0.5	—
Money Ser. 4	197.3	207.7	—	—
European Ser 4	121.3	127.7	+0.1	—
Pension Funds				
Property	358.5	377.4	—	—
Equity	772.4	813.1	+0.3	—
Selective	252.3	265.6	—	—
Managed	615.1	647.5	-0.9	—
Security	343.1	361.2	—	—
Fixed Int.	188.8	198.8	-0.1	—
European	194.5	204.8	+0.3	—
American	218.5	230.1	-2.3	—
Japan	233.1	245.4	-0.3	—

Acton Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303

Life Funds (Accumulation Units)				
Squirrel	10.83	11.41	—	—
Bear	10.75	11.32	—	—
Owl	11.56	12.17	—	—
	13.19	13.89	—	—

City of Westminster Assur.—Contd.

Fixed Interest Fund	139.0	146.4	-1.6	—
Far East Fund	202.2	212.9	+2.7	—
North American Fund	175.7	185.0	+0.6	—
Natural Resources Fund	147.3	155.1	+0.7	—
Pension Managed Fund	381.6	401.7	+1.9	—
Pension Equity Fund	254.1	267.5	+1.5	—
Adventurous Mngd Fd	125.3	131.9	+0.3	—
Balanced Mngd Fd	123.7	130.3	+0.4	—
Conservative Mngd Fd	117.6	123.8	+0.3	—
European Fund	107.3	113.0	-0.6	—
International Fund	118.1	124.4	-0.2	—
S U.K. Flagship Fd	127.8	134.6	+1.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds	133.9	141.0	—	—
Mixed	152.6	160.7	+0.8	—
Equity	110.5	116.4	—	—
Property	107.4	113.1	-0.2	—
Gilt & Fixed Interest	97.6	102.8	—	—
Indexed Securities	108.4	114.2	+0.1	—
Cash	112.5	118.5	-1.1	—
North American	124.7	131.3	-0.6	—
Far East	127.0	133.7	-0.5	—
International	145.9	153.6	-0.3	—
Special Situations	143.7	151.3	-0.5	—
International Income	122.5	129.0	-0.9	—
American Income	148.2	156.2	+0.2	—
European				
Flexible Retirement Plan				
Mixed	137.2	144.5	-0.9	—
Equity	146.3	154.1	+0.2	—
Property	115.9	122.0	+0.1	—
Gilt & Fixed Interest	112.9	118.9	-0.2	—
Indexed Linked	98.8	104.1	-0.1	—
Cash	116.7	122.9	+0.1	—
North American	119.2	125.5	-1.5	—
Far East	138.2	145.6	-0.8	—
International	134.7	141.8	-0.7	—
Special Situations	164.4	177.1	-0.5	—
European	170.5	179.5	+0.1	—

Executive Investment Pension Plan
Prices on November 5. Unit dealings on Wednesday.

Cash Fd	140.8	148.3	—	—
Mixed Fd	191.6	201.7	—	—
Fixed Int. Fd	141.8	149.3	—	—
UK Equity Fd	223.1	234.9	—	—
Property Fd	134.7	141.8	—	—
Overseas Fd	196.0	206.4	—	—
Index Linked Fd	105.6	111.2	—	—
Stock Ex. Fd	154.9	163.1	—	—
North Am Fd	124.7	131.3	—	—
Far East Fd	143.5	151.1	—	—
Special Sits Fd	160.2	168.7	—	—
Europ. Fd	172.6	181.7	—	—

Initial prices available on request.
For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd
01-930 5474

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (Shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	27
Amstrad	15
BAT	35
BOC Grp	28
BSR	11
BTR	26
Babcock	16
Barclays	42
Beecham	40
Blue Circle	55
Boots	22
Bowaters	32
Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	17
Charter Cons	24
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	15
Glaxo	85
Grand Met	40
GUS 'A'	85
Guardian	75
GKN	24
Hanson Tst.	18
Hawker Sidd	42
ICI	75
Jaguar	42
Ladbroke	32
Legal & Gen	20
Lex Service	32
Lloyds Bank	38
Lucas Inds	46
Marks & Spencer	18
Midland Bk	48
Morgan Grenfell	26
NEI	8
Nat West Bk	48
P & O Dfd	45
Plessey	16
Polly Peck	16
Racal Elect	15
RHM	24
Rank Org Ord	45
Reed Intnl	25
STC	13
Sears	12
TI	40
TSB	8
Tesco	36
Thorn EMI	42
Trust Houses	15
Turner Newall	18
Unilever	118
Vickers	36
Wellcome	17
Property	
Brit Land	16
Land Secs	30
MEPC	32
Peachey	24
Oils	
Brit. Oil & Min	3½
Brit Petroleum	50
Burmah Oil	32
Charterhall	4
Premier	3½
Shell	65
Tricentrol	8
Ultramar	17
Mines	
Cons Gold	62
Lonrho	22
Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

FAO sees more pressure on commodity prices

BY JOHN WYLES IN ROME

AGRICULTURAL commodities will generally be in ample supply over the next four years, pushing prices down for most except dairy products, rice and rubber.

This is the general conclusion of medium term forecasts, the first since 1979, published yesterday by the UN's Food and Agriculture Organisation.

The FAO says that the growth in world demand for agricultural commodities during the 1980s will have been slower than in the 1970s, because of lower population growth rates and rises in real incomes.

The projections for the main commodities are:

COFFEE — Developed country demand in the 1980s will have risen by 0.8 per cent a year while consumption in the developing countries will have grown by 3 per cent a year. Total import requirements will expand by only 450,000 tonnes over the decade, to reach 4.19m tonnes by 1990.

Overhanging stocks have discouraged the expansion of production although growth in output will have averaged between 1.6 per cent and 1.7 per cent annually. World production could reach 5.9m tonnes by 1990, close to the projected total demand of 5.8m tonnes.

COCOA — Expanded production will have raised the annual production growth rate to 2.5 per cent in the 1980s compared with 1.5 per cent in the previous decade. At 1980 constant prices global consumption is rising by 1.6 per cent a year, which is below the growth of production capacity. A tendency towards surpluses should depress growth of production and bring about a better supply/demand balance.

TEA — Developing countries' demand will reach 1.65m tonnes by 1990 compared with 1.12m tonnes in 1979-81. This will account for virtually all growth in the market because developed country demand over the same period will have risen only slightly to 526,000 tonnes. Prices, however, could fall substantially below their present levels.

WHEAT — Consumption will have grown by 2.2 per cent a year with most of the extra demand and output coming from the developing countries. International trade in wheat will reach 115m tonnes by 1990, from 97m tonnes in 1979-81. Import demand will have risen by 1.7 per cent a year, much smaller than the 5.5 per cent of the 1970s and leading to downward pressure on real prices, keen export competition and aggressive marketing.

MILK AND MILK PRODUCTS — Demand will have averaged an annual growth of 1.2 per cent during the decade, with most of it coming from the developing countries. With world imports expanding by only 1.4 per cent a year, compared with 6.4 per cent in the 1970s, supply/demand balance is not likely without drastic adjustment measures in northern hemisphere producer countries. But prices should rise from the very depressed levels of the mid 1980s.

RICE — Prices will not reach the average 1979-81 level but they will recover somewhat from the depressed levels of the mid-1980s. Global paddy production is expected to have risen by 2.7 per cent a year to reach 517m tonnes by 1990.

NATURAL RUBBER — The market will be in approximate balance by 1990 with production and consumption reaching 4.9m tonnes at prices higher than in the recent past. The volume of net exports could reach 3.99m tonnes. Malaysian production will have risen only moderately but stronger expansion is expected from Indonesia and most other Asian countries.

COTTON — Production and consumption should reach 16.8m tonnes by 1990 with production from developing countries expanding at twice the rate of the 1970s, partly through China's efforts.

EEC to ease maize levy rules

By Our Commodities Staff

THE EEC Commission plans to soften rules covering imports of maize with reduced levies under a temporary trade agreement reached between the Community and the US in July.

Under the agreement the EEC undertook to import 1.4m tonnes of third country maize over the six-month US shipment season in order to try to head off US concern over the loss of the Spanish market following Spain's accession to the Community. And if shipments at the normal rate of levy in any one month fell below 234,000 tonnes (one-sixth of 1.4m tonnes) the shortfall would be made up with reduced levy imports between January and March 1987. Most of the extra maize was expected to come from the US.

Traders have become impatient, however, at the repeated refusal by the Commission of bids for reduced levies at its weekly import tenders, and have accused the Commission of "stonewalling" tactics to keep out US maize.

EEC officials say that from about November 20 the Commission is expected to hold an extra weekly tender on Tuesdays in addition to the present Monday one. It also plans to extend the life of import certificates from 45 days to two months, plus the remaining days of the month in which they are granted.

They say the extra tender will allow traders to tailor their offers better to the Commission's conditions, giving them a second chance if their first bid is rejected.

EEC plans food aid rethink

BY TIM DICKSON IN BRUSSELS

AN IMPORTANT meeting to discuss the future of the EEC's $550m programme of food aid for developing countries will be held in Brussels today.

At issue are the effectiveness of Community support for the famine-stricken populations of Africa and the closely related question of the programme's formal ties to the Common Agricultural Policy (CAP).

Most observers are now convinced that food aid — the target of much criticism in recent years — should be formally delinked from the CAP and no longer seen primarily as a means of disposing of Europe's vast agricultural surpluses.

In practice this has been happening increasingly since 1982 but the European Commission now wants to make food aid a more fully integrated part of development aid and to strengthen its own management powers. The aim is to make the scheme more responsive to needs in recipient countries than to the demands of the CAP, to remove ministers' powers to fix annual quantities, and to allow more "triangular" transactions, that is purchases of food in other developing countries rather than in the Community.

These proposed changes are expected to command the broad support of member states at today's meeting. Some countries with particularly large farm sectors were initially hesitant about making the break with the CAP but last night only West Germany was reported to be withholding its approval.

The British presidency — and in particular Mr Chris Patten, Britain's Minister for Overseas Development and chairman of today's council — enthusiastically supports most of what the Commission is trying to do though there will be some areas of disagreement on the details, notably on the question of management responsibility. The issue may also raise new tensions between the Council of Ministers and the European Parliament, which has the effective power to determine the level of food aid under "non-obligatory" expenditure and sees the subject as a cause close to its collective heart.

Mr Patten said recently that the programme had never been able to shed the influence of its origins, as a by-product of the CAP. "Food aid for resale — that is balance of payments support — has always formed a high proportion of the programme, often with scant regard for the interests of local producers and with little concern for the cost effectiveness of the transaction."

Orange juice to cost more

ORANGE JUICE prices are set to rise in British shops by about 10 per cent at the end of November, adding around six pence to the retail price of a one litre pack, according to Mr Tony Swallow, chairman of the Food and Drink Federation's Fruit Juice committee. He blames the increase on the cost of Brazilian supplies and on the weakness of the pound.

Brazil dominates the world market for orange juice and, in recent weeks, suppliers there have lifted their prices by around 15 per cent.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

		(tonnes)
Aluminium	-3,625	to 119,750
Copper	+725	to 174,025
Lead	-1,950	to 31,100
Nickel	-576	to 7,332
Tin	-860	to 42,435
Zinc	+5,750	to 24,825
		(ounces)
Silver	+70,000	to 25,218,000

China calls for tungsten agreement

BY WILLIAM DULLFORCE IN GENEVA

THE TUNGSTEN committee of the UN Conference on Trade and Development (Unctad) failed to agree measures to stabilise prices at a meeting here last week. But the 30 participants commissioned the secretariat to undertake an in-depth analysis of the origins of the current crisis, which has brought the price of wolframite (tungsten ore) down from $64-70 per metric ton unit (10 kilos) a year ago to between $32 and $40 today.

A study will also be made of the pattern of production, trade and marketing of intermediate tungsten products for the next meeting of the committee, which is to be convened "as soon as possible."

China, the world's biggest producer and exporter, urged the committee to instruct the Unctad secretariat to examine the prospects of stabilising prices with the ultimate aim of concluding an international tungsten agreement.

Backing for the Chinese move came from Bolivia, Brazil, Mexico, Peru, Portugal, South Korea and Turkey but the US, the biggest importer, said consuming countries regarded price stabilisation as neither feasible nor desirable.

The Chinese rejected allegations that they had been disrupting the US market, claiming that their exports of intermediate products and concentrates had not increased this year over 1985.

● One of the largest European Tungsten mines is to close before the end of December because of the low prices, writes George Graham from Paris. Societe Miniere d'Anglade plans to shut down its Costabonne mine, near the French-Spanish border, which produced around 1,000 tonnes of tungsten a year.

Guernsey hydrofoil service announced

THE Guernsey-based hydrofoil operator Condor, which operates between the Channel Islands and France, is to start a daily service between Guernsey and the south coast of England next year.

Mr David Norman, a Condor director, said that Poole or Weymouth would probably be used for the service, which would operate from April to October with 190-seat and 170-seat hydrofoils.

Farm accountancy and the price of land

FARMER'S VIEWPOINT

By John Cherrington

THE OVERALL indebtedness of British farming has risen two and a half times over the last 10 years in real terms, and is now more than £6bn. The National Farmers' Union often talks about agriculture's rising debt burden, and one might expect the banks, too, to be showing signs of alarm.

In fact, though, as Lloyds Bank's latest Economic Bulletin—which quoted the figures in the table makes clear, they are taking quite a sanguine view. Farmers' total debt is no more than 15 per cent of their total assets, a gearing which would be considered very conservative in almost any other line of production or trading.

But on another criterion, the picture does not necessarily look so healthy. The earnings on farmers' assets are no more than 2.5 per cent—a figure on which no sensible business would risk borrowing money at all. There is also great variation in the amounts borrowed by individual farmers, with the majority probably in overall surplus and a small proportion—about 10 per cent, according to the banks—very deeply in debt.

A major problem when analysing farming assets is the fact that since the mid-1960s the prices of farms sold have not reflected their earning potential. Until that time it was possible to buy a farm with money borrowed long term at a fixed rate of interest and to farm it at a profit. Since then it has been impossible, and the value of land has been determined by a number of other factors.

One of these was undoubtedly the purchase of land as a hedge against inflation. But the hedge is only effective if the land is sold. In any case, the land ought to be farmed at a profit while it is being held.

It is significant that the institutions which bought a fair amount of land over the last 20 years have been among the main sellers in the last couple of years. Their managers obviously believe that inflation has been held in check and the return on capital at present farmland values is not sensible in the current economic situation. Many of them have also secured a reasonable capital profit in real terms.

In point of fact, though, few farmers talk of real terms. I farmed through a very depressed period and was always told that the thing to do was to give and take the prices of the day. As a farmer very under-borrowed in conventional terms, it did not seem to me sensible to worry too much about the long-term or even short-term rate of inflation. What mattered was the ability to keep the farm ticking over and paying the bills in the currency values of the day. That farmers mostly think in the same way is illustrated by the small number of farmers who did cash in the large profits they could have made recently by selling their farms.

The rise in land values, which made many farmers millionaires in real or any other terms, left them unmoved. If the same individuals had been in any other businesses they would have been the targets of asset strippers or other predators.

A farm is not only the owner's place of work but his home as well. Very few farmers will trade in their homes to suit the financial needs of the time unless they are forced to. In any case a farmer or his manager has to live on the job, to care for the livestock and to keep away trespassers and other undesirables.

In this connection I would take issue with the format in which the Lloyds Bank Bulletin sets out the Agricultural Balance Sheet. As will be seen it divides the farm's real estate assets three ways: into land, houses and buildings. It is perfectly true that when some farms have been sold recently they have been lotted out in this way. But generally this has applied to the smaller farms. It is also true that in the South East in particular, individual farm houses have sold very well. But these form a minority of sales up until now. Such sales would do nothing though to increase the overall housing stock as the outgoing farmer would still have to find somewhere to live.

But I can see no real logic in separating the farm buildings from the land. Most of them are essential to the efficiency of the business and are designed to service the land they are attached to. They would be of very little use sold away from it and in fact at a sale their separation from the rest of the farm could well reduce the overall value of the holding. I would except from this, houses and buildings in some fashionable areas like the Cotswolds, but they are a minority.

Few farmers have never counted in the value of their houses and buildings. The vast majority still consider only the land and their working capital, machinery, livestock and so on. They can be excused for doing this because most of them started out as tenants. The proportion now is down to less than 40 per cent. When they work out, if they ever do, the return on their assets, they never take the land into consideration but only the money needed to finance the actual farming. If you only take this as the criterion the return on their trading capital is very much better than the 2.5 per cent which the Bulletin suggests.

In that case then why do people invest in land? I can only suggest that they value it as one would a picture, an antique or anything else that is seen as satisfying to own. Money does not come into it.

UK AGRICULTURAL BALANCE SHEET (end-1984, £bn)

Assets	
Land	18.0
Milk quotas	3.0
Buildings:	
Domestic	11.6
Agricultural	9.4
Machinery	4.4
Livestock	4.3
Crops and store	2.7
Liquid assets	1.7
Total assets	54.9
Liabilities	
Borrowing:	
Bank	6.0
Other	2.5
Net worth	46.4
Total liabilities	54.9

Source: Ministry of Agriculture and Lloyds Bank estimates

LONDON MARKETS

NEWS OF a substantial rise in London Metal Exchange warehouse stocks last week put further pressure on the LME zinc price yesterday, adding to the falls which followed the settlement of the five-month strike at Noranda's Valleyfield, Quebec, smelter a week ago. The 5,750 tonnes rise in stocks ended a sequence of seven weekly falls which had reduced the total from 28,525 tonnes to 19,075 tonnes. And the cash quotation responded with a £19.50 fall to £575, a 10-week low and £57.50 down from the 15-month high reached in September. Dealers said firmer sterling against the dollar and bearish chart patterns also contributed to the zinc market's weakness. They attributed the sudden rise in LME stocks to arrivals of Korean zinc which was rumoured a month ago to be on its way to LME warehouses. The price fall prompted renewed speculation that European producers might be forced to cut their list prices which currently stand at $920 a tonne against an LME three months price equivalent to just over $800 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 793.5-4 (808-8.5), three months 797.5-8 (808.5-9), settlement 794 (808.5). Final Kerb close: 801-1.5.

Turnover: 49,500 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	795-6	-9	793.5
3 months	799.5-800	-7.75	804/796

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	901-2	-8	899/898.5
3 months	924.5-5	-6.75	932/921

Official closing (am): Cash 898.5-9 (910-10.5), three months 921.5-2.5 (932.5-3.5), settlement 899 (910.5). Final Kerb close: 925-6.

Standard			
Cash	879-9.5	-9.25	—
3 months	904.5-5	-6.75	—

Official closing (am): Cash 876-6.5 (889-90), three months 902-4 (913-5), settlement 876.5 (890). US Producer prices 62-66.50 cents per lb.

Total turnover: 44,850 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	322.5-3	-3.75	325.5/324
3 months	315-6.5	+1.25	317/315

Official closing (am): Cash 324-4.5 (326-6.5), three months 315-5.5 (315-5.5), settlement 324.5 (326.5). Final Kerb close: 315-15.5.

Turnover: 3,750 tonnes. US Spot: 24-27 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2535-45	-60	
3 months	2580-5	-60	2605/2565

Official closing (am): Cash 2,560-5 (2,600-5), three months 2,600-1 (2,640-1), settlement 2,565 (2,605). Final Kerb close: 2,560-70.

Turnover: 1,230 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 15.49 (15.50) ringgit per kg. Down 0.01 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	574-6	-19.5	580/574
3 months	564-5	-17	580/560

Official closing (am): Cash 578-9 (598-9), three months 570-70.5 (582-3), settlement 579 (599). Final Kerb close: 562-4.

Turnover: 21,225 tonnes. US Prime Western: 44-50.75 cents per lb.

GOLD

Gold rose $1 an ounce from Friday's close in the London bullion market yesterday to finish at $410½-411. The metal opened at $409½-410 and traded between a high of $411-411½ and a low of $409-409½. Trading was generally quiet and confined to a narrow range with the dollar's weaker trend helping to provide some underlying support.

GOLD BULLION (fine ounce) Nov. 10

Close	$410½-411	(£285½-286)
Opening	$409½-410	(£285-285½)
M'n'g fix	$409.90	(£284.759)
Aft'n'n fix	$410.75	(£286.348)

GOLD AND PLATINUM COINS

Am Eagle	$427-432	(£297¼-300¼)
Maple leaf	$420¼-425¼	(£293-296)
Kr'g'rnd	$407-410	(£283¼-285½)
½ Krug	$209¼-210¼	(£145½-146½)
¼ Krug	$106¼-106¾	(£73¾-74¼)
Angel	$417¼-420¼	(£290¾-292¾)
1/10 Angel	$43-46	(£30-32)
New Sov	$96-96	(£66¾-66¼)
Old Sov	$96¼-98	(£67¼-68¼)
$20 Eagle	$480-530	(£334½-369)
Noble Plat	$582-592	(£405¼-412)

SILVER

Silver was fixed 1.6p an ounce higher for spot delivery in the London bullion market yesterday at 401.65p. US cent equivalents of the fixing levels were: spot 578.6c, up 7.95c; three-month 587.05c, up 8.55c; six-month 595.5c, up 8.85c; and 12-month 613.25c, up 8.85c. The metal opened at 403-404½p (579-581c) and closed at 403-404½p (579-581c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	401.65p	+1.60	403.00p	-0.5
3 months	412.30p	+2.10	415.00p	+0.25
6 months	422.85p	+7.90	—	
12 months	444.30p	+1.90	—	

LME—Turnover: 10 (53) lots of 10,000 oz.

Three months high/low 412.5, final kerb 412-4p.

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
Dec	151.7-152.9	-0.40	151.5
Feb	153.2-153.8	-0.50	153.5
April	154.0-154.8	-0.50	154.0-154.0
June	152.2-152.7	-0.55	—
August	150.0-151.5	-0.75	—
October	152.0-154.0	-0.25	—
Dec	155.0-156.0	-1.00	—

Sales: 32 (20) lots of 20 tonnes.

INDICES

REUTERS

Nov. 7	Nov. 6	M'th ago	Year ago
1613.4	1609.8	1581.3	1786.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 6	Nov. 7	M'th ago	Year ago
Spot	121.56	121.01	—	120.05
Fut	121.70	120.95	—	120.51

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 11 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1125/1145	-5	$1275/1295
Copper			
Cash Grade A	£901.5	-8	£918
3 mths	£924.75	-6.75	£940.25
Gold Troy oz	$410.75	+1.00	$431.25
Lead Cash	£322.75	-3.75	£300.5
3 mths	£315.75	+1.25	£303.25
Nickel			
Free Mkt	166/186c		157/167c
Palladium oz	$126.00		$139.25
Platinum oz	$559.50		$590.00
Quicksilver†	$165/185		$180/190
Silver troy oz	401.65p	+1.60	392.70p
3 mths	412.30p	+2.10	402.65p
Tin			
Free mkt	$4025/4270		$3950/70
Tungsten	$46.99		$54/44
Wolfram 22.04lb	$32/42		$36
Zinc	£575		£616.5
3 mths	£564.5	-17	£616.5
Producers	$920		$920
OILS			
Coconut (Phil)	$445y	+12.5	$302.5
Palm Malayan	$330v		$250
SEEDS			
Copra (Phil)	$270y		$180
Soyabean (U.S.)	$163z		$149
GRAINS			
Barley Fut. Jan.	£112.00	-0.60	£110.45
Maize	£143.00		£145.50
Wheat Fut. Jan.	£110.60	-0.40	£108.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1495.5	-15.0	£1633.5
Coffee Ft. Jan.	£2289.5	-45.0	£2177.5
Cotton A Ind.*	52.20c	+0.65	‡
Gas Oil Dec.	$130.5	+1.25	$126.75
Rubber (kilo)	65.00p	-0.50	68p
Sugar (raw)	$154.00y		$136
Wooltops 64s	421p kilo		405pkilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov.Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan.

COFFEE

Further short covering against the spot position today as November traded at £100 premium to January, reports Drexel Burnham Lambert. In a relatively quiet trading day all the interest was in November. As the flow of tenders eases and further untenderable gradings appear, nervous shorts continue to cover. Prices dipped against a poor performance in New York, and closed on or near the lows from January forward. Physical activity appeared to be quiet.

COFFEE	Yesterday's close	+ or —	Business Done
Nov	2378-2380	+1.0	2420-2355
Jan	2280-2285	-46.0	2330-2275
Mar	2155-2158	-32.5	2200-2155
May	2165-2170	-27.5	2195-2165
July	2175-2180	+15.0	2205-2175
Sept	2170-2180	-40.0	2200
Nov	2180-2222	-35.0	—

Sales: 4,309 (4,500) lots of 5 tonnes. ICO indicator prices (US cents per pound) for November 7: Comp daily 1979 161.20 (159.93); 15-day average 159.34 (159.27).

COCOA

Following an opening at the dues futures traded actively for the remainder of the day and ended £15 below the previous close. Little physical interest was shown by producers or consumers and only light second hand business was noted, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1462-1463	-15.0	1470-1460
March	1495-1496	-15.0	1505-1492
May	1517-1518	-15.0	1525-1515
July	1539-1541	-12.5	1548-1540
Sept	1564-1565	-11.0	1566-1561
Dec	1592-1593	-11.0	1595-1590
March	1616-1625	-11.5	1624-1618

Sales: 2,991 (2,148) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 10 91.25 (91.61): five-day average for November 11 91.58 (91.63).

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	105.00	105.00	105.00-99.00
Feb	119.00	123.50	—
Apr	153.00	156.80	158.80-152.50
May	161.00	165.50	165.00-155.00
Nov	75.00	85.10	—

November expired at noon, last trading at £105.00. Some nervous selling in early trade moved November price below £100.00, but buying interest returned from one particular broker to steady the market again by expiry. Forward positions were quiet, initially holding levels but finding selling pressure during afternoon to register losses of around 3.50 to 4.50 by the close, reports Coley and Harper.

GRAINS

Old crop markets again eased on general bearish sentiment, with commission house selling on wheat, and keen shipper selling on barley, with new crops finding modest fringe shipper support on wheat, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Nov	107.80	-0.45	109.00	-0.45
Jan	110.60	-0.45	112.00	-0.60
Mar	113.45	-0.30	114.00	-0.60
May	115.90	—	115.15	-0.35
July	117.40	+0.15	—	—
Sep	101.50	-0.05	101.50	—
Nov	105.90	+0.10	105.90	+0.10

Business done—Wheat: Nov 107.95-7.75, Jan 110.85-0.60, Mar 113.55-3.40, May 115.65-5.55, July untraded, Sept 101.50 only, Nov untraded. Sales: 134 lots of 100 tonnes. Barley: Nov 109.45-9.00, Jan 112.40-2.00, Mar 114.50-3.95, May untraded, Sept untraded, Nov untraded. Sales: 105 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No. 1 15 per cent Nov 105.00, Dec 108.25. US No. 2 soft red winter Nov 112.00, Dec 113.25. French 11½-12 per cent Nov 140.00. English feed fob Nov 111.00/112.00, Dec 113.00/114.00 buyer/seller, Jan 115.00 buyer, Jan/Mar 118.25/116.75 buyer/seller, Apr/Jun 119.50 seller East coast. Maize: US No. 3 yellow/French transhipment East coast Nov 143.00, Dec 146.00. Barley: English feed fob Nov 115.60, Dec 116.50, Jan/Mar 118.50 sellers English, Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed Barley: Eastern 108.90, E Mids 110.40, N East 110.00, Scotland 107.90. The UK monetary coefficient for the week beginning Monday November 17 (based on HGCA calculations using 4 days exchange rates) is expected to change to 1.230.

MEAT

FUTURES—Live cattle: Nov 97.30, Feb 98.00, April 96.00, June 100.00. Sales: 0. Pigs: Nov 102.10, Feb 98.90, April 98.00, June 97.00, Aug 98.50. Sales: 0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.42p per kg lw (+1.60). GB—Sheep 163.77p per kg est dcw (+14.65). GB—Pigs 77.73p per kg lw (-0.38).

OIL

In the petroleum products market prompt gasoil rose on good buying interest. Naphtha rose in line with December forward talk and fuel oil was quiet. Crude trading was thin in both Brent and Dubai while talking levels firmed about 20 cents in the day. December WTI opened 13 cents up on Nymex and traded a further 13 cents up by 1.30 pm EST, reports Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.65-13.75	+0.15
Brent Blend	14.75-14.85	+0.15
W.T.I. (1pm est)	15.35-15.45	+0.25
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	145-148	—
Gas Oil	135-137	+3.0
Heavy fuel oil	75-77	—
Naphtha	127-129	+2.0

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov	136.50	+2.50	138.50-133.50
Dec	130.50	+1.25	132.00-128.00
Jan	133.75	+0.25	134.75-133.00
Feb	136.25	+0.25	136.50-135.00
Mar	132.00	+1.00	132.00-131.50
Apr	130.00	—	131.50-130.00

Turnover: 3,566 (4,514) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov	71.25	+0.75	72.00-71.00
Dec	—	—	—
Jan	—	—	—
Feb	—	—	—

Turnover: 67 (28) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Nov	159.00	+9.00	165.00-159.00
Dec	160.00	—	—
Jan	—	—	—
Feb	—	—	—

Turnover: 2 (2) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing November 3 amounted to 470 tonnes, against 703 tonnes in the previous week. Fair offtake brought dealings in Chinese, West African, Russian, Turkish, Greek and Colombian varieties.

US MARKETS

COMEX GOLD FUTURES were subject to considerable selling pressure after a steady start which consolidated and slightly improved the market's firm tone at the end of last week, reports Heinold Commodities. December values looked like testing resistance at $415 per ounce after opening over a dollar up, encouraged on the one hand by weaker dollar rates and on the other by a buoyant crude oil market, which made impressive gains on news that an Opec price fixing meeting had been scheduled for the end of this week in Ecuador. An unsuccessful test of $15.5 in the December delivery encouraged profit taking which also seemed to cause gold values to tumble back to just over $407 per ounce on the close, exaggerated by pre-veteran day exits from long positions. Coffee prices again suffered from volatility in thin conditions, as the market seemed unimpressed by a report suggesting that coffee prices were likely to stabilise. December values lost much of the ground made towards the end of last week, closing a net 3.5 cents per pound lower down on the day at just under 172.5 cents.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	49.75	—	—	49.95
Dec	50.00	50.05	49.90	50.20
Jan	50.15	—	—	50.30
March	50.55	50.55	50.50	50.75
May	50.80	50.80	50.80	51.00
July	51.05	—	—	51.25
Sept	51.25	—	—	51.45
Dec	51.35	—	—	51.55
Jan	51.55	—	—	51.75
March	51.65	—	—	51.85

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1897	1905	1888	1887
March	1936	1944	1932	1932
May	1967	1975	1967	1965
July	1988	—	—	1986
Sept	2015	2017	2015	2013
Dec	2046	2045	2045	2044
March	2066	—	—	206

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Dec	172.09	174.25	171.24	175.91
March	168.95	169.40	166.25	169.80
May	166.30	168.75	165.10	167.54
July	165.25	178.00	165.25	166.00
Sept	165.75	168.75	158.75	166.50
Dec	—	—	—	165.13

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	58.60	—	—	58.90
Dec	58.65	59.05	58.75	59.15
Jan	59.00	—	—	59.25
March	59.35	59.55	59.25	59.65
May	59.65	59.95	59.75	60.15
July	60.25	60.30	60.30	60.50
Sept	60.55	60.50	60.45	60.80
Dec	61.10	61.20	61.00	61.35
Jan	61.25	—	—	61.50
March	61.55	61.70	61.70	61.80

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	49.95	50.25	38.75	—
March	50.13	50.77	49.52	49.37
May	50.40	50.70	49.20	49.70
July	50.50	51.00	49.69	49.01
Oct	51.55	51.80	50.81	50.07
Dec	51.80	—	—	50.35
March	49.52	—	—	50.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	406.3	—	—	409.3
Dec	407.5	413.8	404.5	410.6
Jan	409.1	415.0	415.0	412.2
Feb	410.8	417.0	408.5	413.8
April	413.9	420.0	412.0	417.0
June	417.2	423.2	415.0	420.3
Aug	420.6	426.5	426.3	423.7
Oct	424.1	428.5	428.5	427.2
Dec	427.8	434.0	—	430.9

SPOT PRICES—Chicago loose lard 14.50 (14.75) cents per pound. Handy and Harman silver bullion 581.00 (575.00) cents per troy ounce.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	—	—	[illegible]

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	—	—	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Latest	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	—	—	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	612.4	—	—	616.0
March	618.7	627.4	625.0	622.4
May	625.7	—	—	629.5
July	633.1	—	—	637.0
Sept	641.0	—	—	645.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.61	6.75	6.70	6.69
March	7.08	7.28	7.07	7.18
May	7.20	7.40	7.20	7.30
July	7.31	7.50	7.30	7.44
Sept	7.42	7.70	7.70	7.58
Oct	7.54	7.70	7.52	7.63
Jan	7.79	—	—	7.88

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	60.75	60.80	59.72	59.80
Feb	57.72	57.75	56.80	56.82
April	57.97	58.00	57.40	57.80
June	56.85	56.97	56.67	56.77
Aug	55.55	55.55	55.20	55.47

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	52.70	52.75	51.85	52.08
Feb	49.07	49.17	48.05	48.25
April	43.45	43.70	43.00	42.90
June	46.00	46.10	45.60	45.67
July	45.80	45.80	45.00	45.57
Aug	44.40	44.75	44.25	44.50
Oct	41.65	41.65	41.40	41.50
Dec	41.85	43.40	41.80	41.85

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	172.2	174.0	172.0	173.2
March	181.2	182.6	181.0	182.4
May	187.6	188.4	187.4	188.4
July	188.6	191.0	188.4	191.2
Sept	191.0	193.0	191.0	193.0
Dec	194.6	196.0	194.4	196.2
March	202.2	203.2	202.2	203.4

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	68.35	68.50	64.07	64.87
March	65.02	65.20	63.10	63.87
May	64.52	64.65	63.00	63.95
July	63.40	63.40	62.25	62.85
Aug	61.30	61.30	59.90	60.80

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Nov	495.6	497.4	494.4	497.2
Jan	500.2	502.2	499.0	500.2
March	506.4	507.2	504.4	505.6
May	510.6	511.0	508.0	509.4
July	513.2	514.0	511.4	512.2
Aug	511.0	512.4	511.0	510.4
Sept	502.4	505.0	502.4	501.4
Nov	503.6	505.2	503.4	503.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	150.1	150.5	149.5	150.3
Jan	149.6	149.8	148.1	149.5
March	149.9	150.2	149.3	149.6
May	150.0	150.3	149.6	150.0
July	150.0	150.5	149.7	149.9
Aug	150.1	150.1	150.0	149.6
Sept	149.5	150.0	149.4	149.3
Oct	149.0	149.0	149.1	148.8
Dec	150.5	150.5	150.6	151.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.41	15.57	15.36	15.41
Jan	15.58	15.70	15.50	15.57
March	15.88	15.98	15.80	15.85
May	16.08	16.12	15.95	16.05
July	16.25	16.33	16.12	16.22
Aug	16.30	16.35	16.30	16.30
Sept	16.21	16.30	16.21	16.20
Oct	16.20	16.40	16.20	16.15
Dec	16.42	16.50	16.45	16.45
Jan	16.42	16.40	16.45	16.40

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	282.6	281.0	282.4	286.4
March	270.2	275.0	270.0	273.4
May	255.6	259.0	155.4	257.2
July	245.0	247.4	244.4	245.0
Sept	246.0	248.4	245.0	245.8
Dec	251.2	252.2	251.2	251.0

SUGAR

Fresh buying interest lifted March to $163.00, a new high for the move. Later, profittaking pared the gains somewhat, reports Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	148.6	148.6-149.2	150.0-148.8
Mar	161.0	161.4-161.6	163.0-159.8
May	164.4	164.0	166.0-163.0
Aug	168.4-168.8	167.0-168.0	169.0-168.0
Oct	164.8-171.0	170.4-171.6	172.2-170.6
Dec	172.8-175.8	172.2-173.6	—
Mar	181.4-184.0	182.0-184.0	—

LONDON DAILY PRICE—Raw sugar $154.00 (£109.00), same (up £1.00) a tonne for November-December delivery. White sugar $188.00, up $2.00.

Sales: 2,361 (1,335) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £212.50 (£211.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 7: Daily price 6.17 (6.10); 15-day average 5.85 (5.82).

PARIS—(FFr per tonne): Dec 1265/1270, Mar 1300/1305, May 1333/1342, Aug 1370/1382, Oct 1400/1410, Dec 1435/1455.

FREIGHT FUTURES

Sales: 536 (404) lots of 40 tonnes. Quietly steady following Friday's rally which was prompted by the underlying rise in the futures index.

Turnover: 81 (—).

Turnover: 16 (—).

	Close	High/Low	Prev.
Dry Cargo			
Jan.	740/749	750/745	—
April	785/788	790/788	765/756
July	695/697	697/695	774/776
Oct.	786/790	790/788	665/669
Jan.	783/790	790/788	760/768
Apr.	880/885	—	750/790
July	790/795	—	880/910
Oct.	825/900	—	750/760
BFI.	787	—	777

	Close	High/Low	Prev.
Tankers			
Nov.	870/930	880	860/910
Dec.	950/1010	—	950/1010
Mar.	950/1000	—	960/1020
June	—	—	995/1000
BFI.	865	—	861

TEA

There were 27,325 packages on offer in this week's sale including 800 packages in the offshore section, reports the Tea Brokers Association. The market was again selective. Good Liquoring Assams attracted strong support and the best realised fully firm to dearer rates. Mediums tended lower with some withdrawals amongst the plainer offerings.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound given confidence boost

STERLING BENEFITED from a sharp turnaround in market sentiment yesterday. Comments made on Sunday by Mr Nigel Lawson, UK Chancellor of the Exchequer that he had no desire to see sterling lower than it is and that he would use higher interest rates to defend the pound if necessary gave sterling a strong boost.

This came in the wake of speculation that oil prices could rise from current levels or at least stabilise, adding further to sterling's stability. The mood of increased optimism highlighted other factors in the pound's favour, including the relatively high rate of return on sterling deposits compared with the rate of inflation and indications that the Conservative Party's re-election prospects have taken a turn for the better. A smaller than expected rise in UK producer prices was also encouraging.

Against this background the pound exchange rate index, calculated by the Bank of England, opened at 69.5 up from 69.4 on Friday and rose to 69.7 at 9 am before slipping back a little towards noon. In the afternoon it remained steady before slipping a little at the close as resistance was met at the higher levels to close at 69.4, unchanged from Friday.

Against the dollar it touched a high of $1.4430 before closing at $1.4355 up from $1.4280 previously. Elsewhere it finished at DM2.9375 against DM 2.9450 and Y233.50 compared with Y232.50. Against the Swiss franc it closed at SFr 2.44 from SFr 2.4525 and FFr 9.60 from FFr 9.6075.

The dollar finished on a weaker note. Last week's failure to break resistance levels weighed heavily on the market since there was insufficient volume ahead of today's partial closure for Veteran's Day to mount another assault. In addition there was a lack of economic data to back up last week's US unemployment figures and even the latter were not seen as encouraging as had been seen originally.

The dollar closed at DM 2.0455 down from DM 2.0650 and Y162.75 compared with Y163.15. Against the Swiss franc it fell to SFr 1.6990 from SFr 1.72 and FFr 6.6875 from FFr 6.7375. On Bank of England figures, the dollar's exchange rate index fell from 112.5 to 111.9.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9749. October average 2.0038. Exchange rate index 141.5 against 135.3 six months ago.

Disappointment that the dollar failed to break through upper resistance levels was reflected in yesterday's fixing in Frankfurt where the US unit was quoted at DM 2.0489 down from DM 2.0642. There was no intervention by the Bundesbank at the fixing or in open trading. Traders tended to shy away from holding long dollar positions, partly on disappointment of Japanese participation in the latest US Treasury refunding package and also because of the partial closure of US markets today. The release of West German central bank money stock figures which showed a rise of 7.7 per cent in October underlined recent concern about accelerating growth and helped to underpin the D-mark. The dollar closed at DM 2.0465 from DM 2.0675.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.36. Exchange rate index 206.4 from 208.9 six months ago.

The yen showed little overall change against the dollar in Tokyo. The trading range was confined by renewed interest at the lower levels but insufficient impetus to push through recent resistance levels. Today's close of New York also restricted volume. The dollar closed at Y162.65 compared with Y162.95 in New York and Y163.30 in Tokyo on Friday. Elsewhere the D-mark rose to Y79.42 from Y79.10.

£ IN NEW YORK

Nov 7	Latest	Previous Close
£ Spot	1.4395-1.4405	1.4305-1.4315
1 month	0.56-0.53 pm	0.60-0.59 pm
3 months	1.79-1.74 pm	1.76-1.73 pm
12 months	6.35-6.25 pm	6.22-6.12 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Nov. 10	Previous
8.30	am	69.5	69.2
9.00	am	69.7	69.2
10.00	am	69.6	69.3
11.00	am	69.6	69.3
Noon		69.5	69.2
1.00	pm	69.6	69.3
2.00	pm	69.6	69.3
3.00	pm	69.5	69.3
4.00	pm	69.4	69.4

CURRENCY RATES

Nov. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.831181	0.709602
U.S. Dollar	5.5	1.19582	1.02289
Canadian $	8.58	*	1.41895
Austrian Sch.	4	17.2593	14.7276
Belgian Franc	8	50.7954	43.4550
Danish Kroner	7	9.23113	7.87882
Deutsche Mark	3½	N/A	2.09283
Neth. Guilder	4½	2.76354	2.36451
French Franc	9½	7.97971	6.82780
Italian Lira	12	N/A	1446.52
Japanese Yen	3	194.440	166.291
Norway Krone	8	8.97224	7.66350
Spanish Peseta	—	163.947	139.991
Swedish Krona	7½	8.35998	7.14080
Swiss Franc	4	2.03828	1.73912
Greek Drach	20½	167.346	142.808
Irish Punt	—	N/A	0.767072

* C$/SDR rate for Nov. 7; 1.65286

CURRENCY MOVEMENTS

November 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.4	−23.8
U.S. Dollar	111.9	+3.7
Canadian Dollar	77.5	−12.7
Austrian Schilling	132.4	+8.9
Belgian Franc	96.9	−6.0
Danish Kroner	89.3	+1.7
Deutsche Mark	141.5	+19.0
Swiss Franc	165.2	+20.2
Guilder	129.8	+12.4
French Franc	70.4	−12.9
Lira	47.9	−15.8
Yen	206.4	+53.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Nov. 10	£	$
Argentina	1.6360-1.6425	1.1380-1.1420
Australia	2.2260-2.2300	1.5460-1.5475
Brazil	20.15-20.27	14.02-14.09
Finland	7.1440-7.1550	4.9595-4.9615
Greece	199.33-202.69	138.68-141.02
Hong Kong	11.2180-11.2285	7.8000-7.8020
Iran	110.55*	77.70*
Kuwait	0.4210-0.4215	0.29280-0.29300
Luxembourg	60.95-61.05	42.45-42.55
Malaysia	3.7590-3.7645	2.6130-2.6150
N. Zealand	2.7770-2.7870	1.9285-1.9345
Saudi Ar.	5.3885-5.3930	3.7495-3.7500
Singapore	3.1490-3.1545	2.1870-2.1890
S. Af. (Cm)	3.2650-3.2665	2.2575-2.2625
S. Af. (Fn)	6.5455-6.8575	4.5455-4.7620
U.A.E.	5.2775-5.2825	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.4550	+0.79	+1.11	± 1.5368
Danish Krone	7.81701	7.87882	+0.79	+1.11	± 1.6403
German D-Mark	2.11083	2.09283	−0.85	−0.53	± 1.1127
French Franc	6.87316	6.82780	−0.66	−0.34	± 1.3659
Dutch Guilder	2.37833	2.36451	−0.58	−0.26	± 1.5059
Irish Punt	0.764976	0.767072	+0.27	+0.59	± 1.6683
Italian Lira	1476.95	1446.52	−2.06	−2.03	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4305-1.4430	1.4350-1.4360	0.60-0.57c pm	4.89	1.75-1.70 pm	4.81
Canada	1.9925-1.9995	1.9925-1.9935	0.51-0.43c pm	2.83	1.21-1.07 pm	2.29
Netherlands	3.31¼-3.34	3.31¼-3.32¼	1⅝-1⅜c pm	5.43	4⅝-4⅛ pm	5.43
Belgium	60.95-61.45	60.95-61.05	23-18c pm	4.03	59-49 pm	3.54
Denmark	11.06-11.13	11.06-11.07	1⅞-¼ore pm	1.42	4⅛-2⅞ pm	1.27
Ireland	1.0765-1.0835	1.0765-1.0775	0.15-0.30p dis	−2.51	0.45-0.75 dis	−2.23
W. Germany	2.93¼-2.95½	2.93¼-2.94¼	1⅝-1½pf pm	6.13	4⅝-4⅛ pm	6.13
Portugal	215.20-216.40	215.20-216.10	75-122c dis	−5.48	225-376 dis	−5.57
Spain	196.25-198.00	196.35-196.65	16-56c dis	−2.20	54-145 dis	−2.02
Italy	2028¼-2045½	2029½-2030½	3—par lire pm	0.89	4—Par pm	0.39
Norway	10.74½-10.80¼	10.74½-10.75½	3⅛—3⅞ore dis	−3.91	10⅞-11⅛ dis	−4.21
France	9.59½-9.65¼	9.59½-9.60½	3¼-2¾c pm	3.67	7⅞-6¾pm	2.99
Sweden	10.01¼-10.08½	10.01¼-10.02¼	1⅞-1⅝ c pm	1.95	5¼-4⅞pm	2.12
Japan	233-234⅛	233-234	1⅝-1⅛y pm	6.75	3⅞-3⅝ pm	6.42
Austria	20.68-20.80	20.69-20.72	10¼-9gro pm	5.58	27⅞-24⅛ pm	5.02
Switzerland	2.43½-2.46¼	2.43½-2.44½	1⅝-1⅛ pm	7.38	4⅛-4⅛ pm	6.97

Belgian rate is for convertible francs. Financial franc 61.30-61.40. Six-month forward dollar 3.24-3.20 c pm. 12-month 6.12-6.02 c pm Correction for Nov. 7 US Spread 1.4210 - 1.4305

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4305-1.4430	1.4350-1.4360	0.60-0.57c pm	4.89	1.75-1.70 pm	4.81
Ireland†	1.3278-1.3359	1.3330-1.3340	0.88-0.78c pm	7.47	2.70-2.40 pm	7.65
Canada	1.3865-1.3880	1.3870-1.3880	0.26-0.29c dis	−2.38	0.84-0.89 dis	−2.49
Netherlands	2.3070-2.3208	2.3105-2.3115	0.13-0.11c pm	0.62	0.38-0.35pm	0.63
Belgium	42.40-42.65	42.45-42.55	3-5c dis	−1.13	12-16 dis	−1.32
Denmark	7.68¾-7.72¾	7.70½-7.71	2.00-2.50ore dis	−3.51	6.65-7.15 dis	−3.58
W. Germany	2.0410-2.0540	2.0450-2.0460	0.25-0.22pf pm	1.38	0.71-0.66 pm	1.34
Portugal	149½-150¼	149½-149¾	115-145c dis	−10.40	340-440 dis	−10.40
Spain	136.62-137.37	136.80-136.90	70-90c dis	−7.00	215-245 dis	−6.71
Italy	1411-1420	1413¾-1414¼	4-5lire dis	−3.81	15-16½dis	−4.45
Norway	7.48¼-7.50¾	7.48¾-7.49¼	5.35-5.65ore dis	−8.81	16.90-17.20dis	−9.10
France	6.66-6.70¼	6.68½-6.69	0.80-0.90c dis	−1.53	2.85-3.15 dis	−1.80
Sweden	6.97¼-7.00¼	6.98-6.98½	1.65-1.80 ore dis	−2.96	4.60-4.90 dis	−2.72
Japan	162.25-162.85	162.70-162.80	0.28-0.23 y pm	1.88	0.67-0.62 pm	1.59
Austria	14.37¼-14.45	14.40-14.40½	1.10-0.60gro pm	0.71	1.75pm-0.25dis	0.21
Switzerland	1.6960-1.7110	1.6985-1.6995	0.41-0.36 c pm	2.72	0.95-0.90 pm	2.18

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.70-42.80.

EURO-CURRENCY INTEREST RATES

Nov.10	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10¾-10⅞	10⅞-11	11-11⅛	11-11 1/16	11-11 1/16	10 15/16-11 1/16
U.S. Dollar	5 13/16-6 1/16	5 13/16-6 1/16	6-6⅛	6-6⅛	6-6⅛	6⅛-6¼
Can. Dollar	8⅜-8½	8⅜-8½	8⅜-8⅝	8 7/16-8 9/16	8½-8¾	8¾-9
D. Guilder	5¼-5⅜	5 5/16-5 7/16	5⅜-5½	5⅜-5½	5⅜-5½	5⅜-5½
Sw. Franc	2-2¼	2-2¼	3⅛-3¼	3⅞-4	3⅞-4	3 15/16-4 1/16
Deutschmark	4 3/16-4 5/16	4⅝-4¾	4⅝-4¾	4⅝-4¾	4⅝-4¾	4⅝-4¾
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 6⅛-6⅜ per cent; three years 7-7¼ per cent; four years 7½-7¾ per cent; five years 7¾-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 10	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.436	2.938	233.5	9.600	2.440	3.318	2035	1.993	61.00
$	0.697	1	2.046	162.8	6.688	1.699	2.311	1414	1.388	42.50
DM	0.340	0.489	1	79.49	3.268	0.831	1.129	691.1	0.678	20.77
YEN	4.283	6.148	12.58	1000	41.11	10.45	14.21	8694	8.535	261.2
F Fr.	1.042	1.495	3.060	243.2	10	2.542	3.456	2115	2.076	63.54
S Fr.	0.410	0.588	1.204	95.70	3.934	1	1.360	832.0	0.817	25.00
H Fl.	0.301	0.433	0.885	70.38	2.894	0.735	1	611.9	0.601	18.39
Lira	0.499	0.707	1.447	115.0	4.729	1.202	1.634	1000	0.982	30.05
C $	0.502	0.720	1.474	117.2	4.817	1.224	1.665	1019	1	30.61
B Fr.	1.639	2.353	4.816	382.8	15.74	4.000	5.439	3328	3.267	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates steady in quiet market

INTEREST RATES were barely changed in London yesterday as the market struggled to find direction. The general lack of trend was once again highlighted by the structure of the yield curve which showed little difference between one month and one year rates. Comments by Mr Nigel Lawson over the weekend concerning interest rates and the defence of sterling cleared some of the air but failed to give any direct pointers as to where rates were likely to go in the next six months.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank money was quoted at 11 1/16-10 15/16 per cent compared with 11⅛-11 per cent on Friday. Overnight money opened at 11¼-11 per cent and touched a high of 11⅜ per cent before easing to a low of 7 per cent. Late balances were taken up to 10 per cent however.

The Bank of England forecast a shortage of around £600m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,102m and banks' balances brought forward £85m below target. These were partly offset by Exchequer transactions which added £215m and a fall in the note circulation of £350m.

The Bank gave assistance in the morning of £176m through outright purchases of £1m of Treasury bills in band 1 at 10⅞ per cent and in band 2 £102m of eligible bank bills at 10 13/16 per cent. In band 3 it bought £36m of eligible bank bills at 10¾ per cent and £37m in band 4 at 10 11/16 per cent

Additional assistance in the afternoon came to £279m and comprised purchases of £23m of eligible bank bills in band 1 at 10⅞ per cent, £187m in band 2 at 10 13/16 per cent, £22m in band 3 at 10¾ per cent and £47m in band 4 at 10 11/16 per cent. Late help came to £100m, making a total of £555m.

In Frankfurt the Bundesbank announced its intention to offer a 28-day sale and repurchase tender with a minimum bid rate of 4.30 per cent. This is a departure from recent practice where the rate had been fixed. The last facility had a set rate of 4.35 per cent. With banks bidding for funds at a time of liquidity shortages, the result of the latest tender will probably show a small rise in the rate as institutions compete for funds. However the market saw little likelihood of this heralding a change in the discount rate but more of an opportunity for market forces to establish the rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.10) 3 months U.S. dollars		6 months U.S. dollars	
bid 6	Offer 6⅛	bid 6	Offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾-7
Fed. funds	5⅞
Fed. funds at intervention	5 13/16

Treasury Bills and Bonds: One month, Two month, Three month, Six month, One year, Two year [figures illegible]

Nov.	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.40-4.50	4.40-4.55	4.50-4.65	[illegible]	[illegible]	5.5
Paris	7½	7 3/16-7 5/16	7 3/16-7 5/16	[illegible]	[illegible]	7
Zurich	7/8-1⅛	3-3⅛	—	[illegible]	—	—
Amsterdam	5¼-5 5/16	5 5/16-5 7/16	—	[illegible]	—	—
Tokyo	4.15625	4.28125	—	—	—	—
Milan	10⅛-11¼	10¼-11¼	—	[illegible]	—	—
Brussels	6.55	7 3/16-7 5/16	—	[illegible]	—	—
Dublin	12⅞-13¼	13⅝-13¼	13⅝-13⅞	[illegible]	[illegible]	—

LONDON MONEY RATES

Nov. 10	Over-night	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	11⅜-7	11⅛-10⅞	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	11-10⅞	11-10⅞	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market Deposits	11⅜-7	10⅞	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	11-10½	11⅛	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10 11/16 per cent; three months ... one-month 10 25/32 per cent; three months 10 21/32 per cent ... discount 10.5680 p.c. ECGD Fixed Finance Scheme IV ... 11.237 per cent. Local Authority and Finance Houses seven days' notice ... Finance Houses Base Rate 11 per cent from November ... seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit ... and over held under one month 10⅛ per cent; one-three months ... per cent; six-nine months 11¼ per cent; nine-12 months ... cent from October 16. Deposits held under Series 5 10¼ ... per cent.

FINANCIAL FUTURES

Late trading unsettles gilts

GILT PRICES lost ground towards the end of the day in the London International Financial Futures Exchange yesterday. Sentiment was influenced to some extent by a softer US bond market and also mounting concern over the implications of increased public spending, as announced by Mr Nigel Lawson, UK Chancellor of the Exchequer, in his Autumn statement.

Earlier in the day prices had opened on a softer tack deriving little incentive from cash markets. After a starting price of 110-10, the December price rose briefly to a high of 110-16, helped by sterling's firmer trend and also improved prospects of a Conservative Party re-election. However late selling orders encouraged other traders to liquidate positions, accelerated by sterling's fall from the day's highs, so that the December price fell to a low of 109-20 before closing at 109-21.

US Treasury bond prices were weak, following a growing feeling that yields would have to be increased by US traders in order to offload last week's take up of the US Treasury refunding package. This situation was exacerbated to some extent by the lack of overseas participation, notably Japanese institutions. The December bond opened at 95-11 down from 96-18 on Friday and touched a high of 95-31 before closing at 95-28.

Three-month sterling deposits opened lower but traded within a relatively narrow range. A virtually flat yield curve in the cash market underlined the current uncertainty about future interest rate trends. This also affected trading volume which was lower than usual. The December price opened at 89.00 and traded between a high of 89.08 and a low of 88.97. It closed at 88.99 down from 89.07 on Friday.

Comments by Mr Lawson that higher interest rates would be used, if necessary, as a method of supporting sterling appeared to have only a small influence

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	3.43	4.52	0.01	1.00
108	1.55	3.30	0.13	1.42
110	0.38	2.25	0.60	2.37
112	0.07	1.36	2.29	3.48
114	0.01	0.62	4.23	5.10
116	0.00	0.36	6.22	6.48
118	0.00	0.20	8.22	8.32
120	0.00	0.10	10.22	10.22

Estimated volume total, Calls 865 Puts 388
Previous day's open int. Calls 24,548 Puts 6,780

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	7.52	7.42	0.00	0.42
90	5.52	6.06	0.00	1.06
92	3.53	4.45	0.01	1.45
94	2.00	3.33	0.12	2.33
96	0.44	2.36	0.56	3.36
98	0.08	1.51	2.20	4.51
100	0.01	1.14	4.13	6.14
102	0.00	0.51	6.12	7.51

Estimated volume total, Calls 187, Puts 17
Previous day's open int. Calls 903, Puts 1191

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
1550	—	10.77	—	0.27
1575	8.04	8.55	0.04	0.55
1600	5.67	6.53	0.17	2.03
1625	3.56	4.77	0.56	1.77
1650	1.91	3.32	1.41	2.82
1675	0.85	2.19	2.85	4.19
1700	0.30	1.36	4.80	5.86
1725	0.09	0.80	7.09	7.80

Estimated volume total, Calls 31, Puts 7
Previous day's open int. Calls 521, Puts 422

LIFFE £/$ OPTIONS; PHILADELPHIA SE £/$ OPTIONS; LONDON SE £/$ OPTIONS; LIFFE—EURODOLLAR OPTIONS

LONDON: 20-YEAR 12% NOTIONAL GILT; 10% NOTIONAL SHORT GILT; THREE-MONTH STERLING; FT-SE 100 INDEX; THREE-MONTH EURODOLLAR; U.S. TREASURY BONDS 8%; CURRENCY FUTURES; POUND—$ (FOREIGN EXCHANGE); IMM—STERLING; LIFFE—STERLING

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 10, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00	Ghana	Cedi	212.528	Panama	Balboa	1.4355
Albania	Lek	10.20	Gibraltar	Gibraltar £	1.0			
Algeria	Dinar	6.67	Greece	Drachma	201.01			

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102[illegible]	100[illegible]	Exch. 13¼pc 1987	100[illegible]	-[illegible]	13.20	10.76
100[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]	+[illegible]	10.28	10.95
98[illegible]	92[illegible]	Exch 2½pc 1987	98[illegible]	-[illegible]	2.55	8.88
101[illegible]	97½	Exch. 10½pc 1987	99¼	-[illegible]	10.53	11.07
98[illegible]	93[illegible]	Funding 6½pc 85-87	98[illegible]	+[illegible]	6.60	9.96
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	+[illegible]	10.05	10.97
97[illegible]	90⅞	Treas 3pc 1987	96[illegible]	-[illegible]	3.11	8.53
104½	99[illegible]	Treas. 12pc 1987	101	.....	11.88	10.88
99¾	92[illegible]	Treas 7¾pc 1985-88‡‡	96[illegible]	-[illegible]	8.05	11.02
104	96[illegible]	Exch 10½pc '88	99¾	.....	10.58	11.09
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	98[illegible]	-[illegible]	9.94	11.16
94[illegible]	86[illegible]	Transport 3pc '78-88	91[illegible]	-[illegible]	3.27	8.54
102½	93[illegible]	Treas. 9½pc '88	97[illegible]	-[illegible]	9.78	11.15
107[illegible]	98[illegible]	Treas 11½pc 1989	100[illegible]	+[illegible]	11.44	11.17
103½	93[illegible]	Treas 9½pc Cnv 1989	96[illegible]	.....	9.84	11.17
92[illegible]	82[illegible]	Treas 3pc 1989	88[illegible]	.....	3.41	8.42
105[illegible]	95[illegible]	Treas 10½pc 1989	98½	.....	10.66	11.22
104[illegible]	94[illegible]	Exch.10pc 1989	97[illegible]	-[illegible]	10.30	11.24
107[illegible]	97	Exch 11pc 1989	99[illegible]	-[illegible]	11.05	11.16
93[illegible]	84½	Treas 5pc 1986-89	88[illegible]	-[illegible]	5.67	9.72
110[illegible]	94[illegible]	Exch 10¼pcCv '89	100[illegible]	-[illegible]	10.24	10.23
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	104[illegible]	-[illegible]	12.43	11.18
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	99[illegible]	-[illegible]	11.05	11.12
113[illegible]	101[illegible]	Exch. 12½pc 1990	103[illegible]	-[illegible]	12.06	11.17
89[illegible]	79[illegible]	Treas. 3pc 1990	83[illegible]	.....	3.60	8.60
[illegible]	[illegible]	[illegible]	93[illegible]	.....	8.85	10.60

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
112	30	Anglo-Dominion	92½	–4½	—	—	—
42	19½	Anglo Utd	27	+2	—	—	—
80	27	♥Colby Res Corp.	30	......	—	—	—
300	115	Cons. Murch. 10c	£1¾	......	Q60c	4.4	10.6
34	24	♦Essex Int. Ir10p	30	+5	—	—	—
144	70	Greenwich Res	139	......	—	—	—
157	93	Hampton Areas 10p	146	......	♦1.0	—	1.0
327	165	♥Highwood Res.	243	–1	—	—	—
£20¾	£13¾	Homestake Mining $1	£18¼	–1⅛	Q20c	—	0.8
310	156	♥McFinley Red Lake	280	–2	—	—	—
285	144	♥Mosto Explorations	205	–2	—	—	—
51	28	♥New Sabina Res C$1	39	–1½	—	—	—
353	200	Northgate C$1	319	–3	—	—	—
790	513	RTZ	698	–3	22.0	2.4	4.5
£164	£115	Do. 9½pcLn '95-2000	£144¾	+½	Q9½%	15.5	6.7

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	......	Fin. 13% 97/02	£96⅝	......
Craig & Rose £1	£15	+½	Arnotts	270xd	......
Finlay Pkg. 5p	47	–1	CPI Hldgs	38	–1
Holt (Jos) 25p	818	+8	Carrol Inds.	155	+5
IoM Stm. £1	75	......	Dublin Gas	12	......
			Hall (R. & H.)	80	......
IRISH			Heiton Hldgs.	28	+1
Fund 11¼% 1988	£96⅞	......	Irish Ropes	113	......
Nat. 9¾% 84/89	£91⅞	......	Unidare	250	+5

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LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15

*New time dealings may take place from 9.00 am two business days earlier.

Oil stocks resist downward trend as losses in Gilts undermine early gains in equities

London securities markets gave ground yesterday against the background of an increasingly cool reception in the City for the Government's plans for higher public spending. Falls of ½ a point in long-dated gilt-edged securities indicated the reawakening of inflation worries, and reversed an initial improvement in the equity market, which ended lower across the broad front of industrial stocks. Only oil shares, encouraged by this week's reconvening of the Opec pricing committee, stood out firmly against the trend.

Government issues were unsettled at the opening by Friday's weakness in the US Federal bond sector. The longer end saw a trickle of sellers, and no buyers. Short-dated issues tried to hold steady with the help of a firm pound, but finally succumbed to the softness in the market, and closed wih losses of ⅛ or so.

Analysts at City brokerage houses sounded unenthusiastic about the Chancellor's Autumn Economic Programme. L. Messel commented that inflationary expectations "will be raised further" by the stimulus to the economy.

The stock market's initial attempt to extend Friday's gain was swiftly defeated by the weakness in bonds, and share prices turned smartly downwards in the first half of the session. But, with the exception of the oils and a few other selected stocks, turnover was thin. The market tried to rally at mid-session but was turning easier again at the close.

The FT-SE 100 index fell 6.4 to 1656.2, and the FT Ordinary index 3.9 to 1313.3.

Continued optimism over oil prices brought active trading in the oil leaders. The best spot was Britoil, with 5.5m shares traded. British Petroleum (2.7m) also attracted buyers at first but ran into profit-takers later.

Building and construction shares held on to the gains chalked up last week on expectations of benefit from the Chancellor's plans to increase spending on roads and housing.

Other scattered features included Saatchi & Saatchi, the major advertising agency, which announced a major personnel appointment—following the recent spate of defections. Once again, there was heavy trading in Hanson Trust (11m) on the back of the success of the shares in ADR form in the US markets.

C. E. Heath easier

Lloyds Broker C. E. Heath seemed unimpressed by details of PWS International's final and increased offer worth around 539p per share and slipped to 495p before closing the session 11 easier on balance at 500p; PWS lost 12 at 290p. Bradstock, meanwhile, jumped 20 to 405p following buying ahead of the interim results scheduled for December 18. Composites featured Commercial Union, in which 3.6m shares changed hands, and the close was a couple of pence dearer at 284p; the company's third-quarter figures are scheduled for tomorrow.

Sellers held sway among the major clearers. Barclays lost 5 at 479p and Natwest relinquished 5 at 518. Merchant Banks were inclined harder in places. Hambros revived with a gain of 8 at 226p and Morgan Grenfell put on 5 afresh at 398p. Elsewhere, Equity and General attracted renewed speculative support and touched 34½p before closing nearly a penny dearer at 34p; the shares have been considerably enlivened of late by talk that a sizeable stake in the company had changed hands at around the 36p per share level.

Bilston and Battersea Enamels staged a bright debut in the Unlisted Securities Market; the shares, placed at 130p, opened at 153p and touched 156p prior to closing at 151p, a first-day premium of 21.

Lacklustre conditions again prevailed among leading Breweries. Most were content to hover around pre-weekend levels, but Whitbread A provided an exception and rose 6 to 277p on buying ahead of Wednesday week's mid-term statement; Mr Ron Littleboy at brokers Williams de Broe regards the shares as "grossly undervalued." Regionals also traded in subdued manner, although early demand lifted Barclays to a new peak of 147p; the absence of follow-through support, however, left the shares only a couple of pence dearer on balance at 143p.

Having surged higher in the latter part of last week following news of the Chancellor's latest proposals for infrastructure spending, investors adopted an altogether more cautious stance in the Building sector and the leaders, although under no selling pressure, struggled to make any fresh headway. Among the second liners, Helical Bar continued to respond to the good interim results and firmed 10 more to 423p, while revived demand in a restricted market lifted Tay Homes 21 to 231p. Speculative buying boosted F.J.C. Lilley 3 to 36p, while EBC gained 8 to 118p. F. Copson were raised 7 to 62p following the agreed bid of 70p per share cash from Mr R. Thompson.

Among Chemicals, Wardle Storeys attracted support at 365p, up 9, while Rentokil firmed 7 to 143½p, the latter following press comment. Amersham International touched 455p following the interim results prior to closing 4 easier at 438p.

Interest in the Stores sector was largely confined to the more speculative secondary issues. Lee Cooper moved up 10 to 303p following the announcement that Compagnie de Navigation Mixte SA had increased its stake in the company to nearly 13 per cent. Helene of London, a good market last week in reply to an investment recommendation, added 1½p more at 32½p, after 34p, following news of a bid approach. Speculative buying brought gains of 6 to S.R. Gent, at 68p, and Lanca, at 51p, while Austin Reed "A" closed the same amount dearer at 161p. Lincroft Kilgour, still reflecting the agreed bid from Priest Marians, firmed 10 more at 265p, while Debfer put on 4 at 143p and Allebone 7 at 108p. Elsewhere, Coats Viyella found support at 481p, up 14.

Over 8m shares in Plessey changed hands yesterday ahead of Thursday's interim results and the shares touched 191p before closing a penny dearer on balance at 188p. GEC were also actively traded following Press comment and closed 3 higher at 178p, after 180p, while Thorn EMI put on 10 at 492p, and BICC 3 at 289p. British Telecom, however, succumbed to profit-taking after its recent good run and closed 2 off at 199p. Cable and Wireless, unsettled of late by the 12 per cent price cut made by its Mercury Communications subsidiary on trunk calls, fell a further 15 to 299p in reaction to adverse comment. Elsewhere, American Electronic Components jumped 5 to 30p following favourable weekend Press comment and Electronic Machine reflected bid hopes with a gain of 10 at 83p. Godwin Warren moved up 21 in a thin market to 112½p, while gains of 5 and 10 respectively were seen in Pressac, 155p, and Plasmec, 72p.

Once again, interest in the Engineering sector centred mainly on selected secondary issues. Comment on the proposed buy-in left Simon Engineering 8 lower at 319p xd, but revived speculative activity caused a gain of 7 to 84p in Cronite. Recovery hopes prompted a rise of 3½ to 82p in Howden Group, while APV were noteworthy for a gain of 15 at 570p. Davy Corporation, reflecting news of the contract to build a $200m chemical plant in the US for Standard Oil, advanced 4 to 149p.

Foods displayed several bright features. Associated British Foods rose 13 to 316p largely reflecting the efforts of a single buyer, while United Biscuits, mentioned as a possible takeover target for ABF, added 8½ to 244½p in sympathy. Ranks Hovis McDougall firmed 6 to 262p and Rowntree Mackintosh hardened a couple of pence to 422p. Speculative buying boosted J. E. England 9 to 109p, after 122p, but further profit-taking in the absence of any bid developments left Bassett 6 lower at 195p. Cullens lost 20 at 130p following the interim result, but J. Sainsbury edged up 3 to 418p awaiting today's half-timer.

Pilkington Bros. ease

Pilkington Bros, the subject last week of persistent BTR bid rumours, were again briskly traded and settled 7 lower at 551p in the absence of any developments. Pearson, also a good market recently on takeover speculation, ran back 7 to 587p. Newspaper comment ahead of Thursday's interim figures prompted renewed buying of Valor which moved ahead to close 10 higher at 290p. Press mention also enlivened demand for Relyon, 15 to the good at 198p, and A. Wood, 4 better at 98p. Bibby, reflecting news of the sale of Twydale Turkeys to Hillsdown Holdings for £15m, improved 5 to 280p, while Suter gained 5 to 219p on the agreed sale of the ophthalmic operations of UKO International. Suggestions that Airbus Industrie is close to finalising a $1bn deal with American Airlines for Airbus A300-600 jets, prompted interest in British Aerospace which ended 9 to the good at 484p, after 487p. The strong publicity given recently to the spread of Aids kept interest alive in London International, up 6 further at 257½p. NMW, however, reacted 20 to 250p on talk of continued problems associated with the big bang.

The Leisure sector enjoyed its busiest session for some considerable time. Television issues were particularly buoyant following favourable comment in the Financial Times. For this reason, Anglia, 319p, and TV-am, 226p, both recorded double-digit gains, while Yorkshire advanced 8 to 186p. A rare dull spot was provided by Television South which eased a couple of pence to 269p following news that Whitbread has sold its 20 per cent stake in the company to various institutions at 265p per share. Elsewhere, revived takeover prospects lifted Campari 11 to 120p, while Press comment stimulated interest in Brent Walker, 220p, and Pineapple, 74p, up 16 and 6 respectively.

Despite reporting annual profits at the top end of market estimates, Lucas succumbed to profit-taking and fell 12 to 467p. Elsewhere in Motors, Mr David Wickens' BCA advanced 6 to 167p on persistent speculative support fuelled by US takeover hopes; it was announced yesterday that Gartmore Investment Management had increased its stake in the company to 6.43 per cent. Lex Service gained 11 at 319p.

Saatchi & Saatchi continued its recent recovery, closing 20 higher at 645p with sentiment helped by a week-end Press report that the company had appointed Mr Vic Millar, a top management adviser, to head its consultancy division.

Properties were featured by Marler Estates which soared 58 to 623p amid mounting takeover speculation. Southend Stadium moved up to 288p on property development hopes, while Bredero added 4 to 135p following Press comment. Brookmount rose 23 to 320p on new of the Blue Circle joint property venture. Grainger Trust lost 40 t 605p following profit-taking.

Enlivened afresh by week-end Press mention, British and Commonwealth met with support and closed 5¼ to the good at 325p in an otherwise quiet Shipping sector.

Textiles continued to claim a fair amount of selective buying interest. Victoria Carpets remained in the limelight, rising 14 further to 145p amid suggestions of a bid from J. Crowther in the week-end Press.

Capital shares featured some useful gans in the Trust sector, Altifund rising 42 to 760p, and City and Commercial 15 to 845p.

Britoil good

Oil price optimism prompted a firm start among the oil majors, but prices subsequently wilted in the absence of follow-through support to close little changed on balance. Britoil provided the exception, rising 7 to 164p helped by favourable Press comment. LASMO firmed 4 to 147p and Tricentrol put on 3 to 63p. Elsewhere, Berkeley Exploration gained 5 to 55p following the strong rejection of the Ranger (UK) bid for the company.

Despite an extremely subdued start—currency influences continued to inhibit activity in Johannesburg, while certain Continental operators proved to be reluctant to establish fresh positions ahead of today's Armistice Day holiday—South African Golds took Friday's recovery a stage firmer and eventually displayed a decidedly firmer bias.

The recent revival of US interest in top-quality Golds was again to the fore during yesterday's business, helped by the Financial Rand's encouraging display against the dollar. This, coupled with another relatively firm showing by bullion—the metal closed $1 up at $410.75 an oz—stimulated persistent demand from transatlantic sources and the FT Gold Mines index rose 4.1 to 304.2.

Platinum producers made headway as the metal was fixed some $10 higher at $567.50 during the afternoon. Rustenburg and Impala rose 25 apiece to the common level of 760p. South African Financial stocks responded to modest demand with Anglo American Corporation ¾ up at £10¼, while "Amgold" improved a similar amount to £51¾. De Beers Deferred closed 13 better at 528p. UK-registered Financials gave ground reflecting the absence of recent speculative takeover activity. Cons. Gold eased a few pence to 683p, as did RTZ at 690p. Charter hardened a fraction to 263p following news that the company's mine in Gwynedd, North Wales, is to be placed on a care and maintenance basis.

The easier trend in overnight Sydney and Melbourne markets—"down-under" investors were clearly nervous in front of Thursday's current account statistics—was mirrored in London. Australian Golds went lower despite slightly firmer bullion; Poseidon eased 8 to 227p, while Central Norseman gave up 15 to 648p. Sons of Gwalia, 345p, and Australian Consolidated Minerals, 201p, fell 6 apiece.

Traded Options

Activity in Traded Options was sharply reduced from last week's particularly lively levels but still amounted to a respectable 33,842 contracts. Recent favourite Hanson Trust remained in the limelight and attracted 3,618 calls, while another active and evenly-balanced business was noted in British Telecom which contributed 2,191 calls and 2,334 puts. Above-average demand was also evident for calls in Lasmo, GEC and BAT Industries.

Traditional Options

- First dealings Nov 3 Nov 17 Dec 1
- Last dealings Nov 14 Nov 28 Dec 12
- Last declaration Feb 5 Feb 19 Mar 5
- For Settlement Feb 16 Mar 2 Mar 16

For rate indications see end of Unit Trust Service.

Call Options were taken out in Hanson Trust, Premier Oil, Arms Energy, Fabel International, Dura Mill, Paragon Resources, Amstrad, Abbey Life, Chrysalis, London International, Coveta, Norfolk Capital, Juliana's, Carless Capel, Cable and Wireless, New Court Natural Resources, Stewart Nairn, Dixons, Grampian, Ultramar, Next, British and Commonwealth, Bridon, Hestair, Johnson and Firth Brown, Alpine Soft Drinks, Heywarth Ceramic, Barham, Tricentrol, NEI, London and Northern, Benjamin Priest, Central Securities, Astra Industrial, STC, Harris Queensway, EMAP A and Gibbs and Dandy. A put was transacted in London International, but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Nov. 10	Nov. 7	Nov. 6	Nov. 5	Nov. 4	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.58	82.58	83.10	83.19	83.02	83.27	94.51 (18/4)	80.39 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.04	89.02	89.15	89.15	89.11	89.06	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,313.3	1,317.2	1,303.9	1,296.3	1,294.3	1,070.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	304.2	300.1	291.5	300.7	281.2	255.2	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.35	4.31	4.35	4.36	4.37	4.48				
Earnings Yld.%(full)	9.98	9.95	10.04	10.06	10.08	10.99				
P/E Ratio (net) (*)	12.28	12.32	12.22	12.18	12.16	11.25				
SEAQ Bargains (5pm)	34,978	34,411	32,328	29,616	30,360	—				
Equity Turnover	—	1,083.04	1,253.23	1,176.00	1,153.26	423.57				
Equity Bargains	—	49,029	46,033	41,679	44,328	24,350				
Shares Traded (ml)	—	515.4	346.7	506.1	495.7	200.2				

S.E. ACTIVITY

Indices	Nov. 7	Nov. 6
Gilt Edged Bargains	165.1	131.3
Equity Bargains	317.7	298.3
Equity Value	2189.1	2533.1
5-Day Average		
Gilt Edged Bargains	144.6	141.3
Equity Bargains	285.9	278.8
Equity Value	2179.8	2353.5

♥ Opening 1318.6 | 10 a.m. 1312.3 | 11 a.m. 1309.4 | Noon 1314.4 | 1 p.m. 1313.9 | 2 p.m. 1314.8 | 3 p.m. 1315.7 | 4 p.m. 1314.4

Day's High 1318.8. Day's Low 1295.5.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.77.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,700	165	-1	ICI	1,300	£10⅜	-⅛
Allied Lyons	1,100	312	-1	Jaguar	150	537	—
BAT	2,500	477	-7	Ladbroke	740	378	+1
BOC	930	334	+1½	Land Securities	577	338	-1
BTR	986	295	-3	Legal & Gen.	589	245	-3
Barclays	300	479	-5	Lloyds Bank	457	427	—
Bass	126	741	-2	Lonrho	1,000	250	+1
Beecham	3,900	440	-4	Marks & Spencer	850	196xd	-1½
Blue Circle	1,000	636	—	Midland Bank	950	569	-5
Boots	1,800	258	-1	NatWest Bank	701	518	-5
Brit. Aero	1,100	484	+9	P & O	99	523	+1
Britoil	5,600	164	+7	Plessey	8,000	188	+1
BP	2,700	689	—	Prudential	521	822	-8
Brit. Telecom	6,800	199	-2	Racal	1,400	228	-1
Burton	2,500	288	—	Reckitt & Col	25	808xd	+4
Cable & Wire	4,400	299	-15	Reuters	117	547	-5
Cadbury Schweppes	1,200	189	-3	RTZ	579	690xd	-5
Comm. Union	3,600	284	+2	Royal Insurance	574	818xd	+4
Cons. Gold	732	665	-2	Saatchi	1,100	544	-5
Courtaulds	1,000	323	-5	Sainsbury	1,100	418	+3
Dixons	400	347	—	Sears	6,700	135½	-1
Fisons	201	576xd	-1	Sedgwick	443	344	—
Gen. Accident	287	848	-5	Shell Trans.	1,200	939	-3
Gen. Elec.	9,700	175	+3	Std Alliance	130	685	-3
Glaxo	1,300	925xd	-4	TSB	17,000	79	—
Grand Met.	790	434	-1	Tesco	276	402	+1
Gus "A"	217	£10⅛	-1	Thorn EMI	1,600	492	+10
Guardian R.E.	187	776xd	-3	Trafalgar House	1,100	283	-1
GKN	459	254	-2	Trusthouse Forte	1,500	177	-1
Guinness	1,500	347	—	Unilever	1,000	£21½	—
Hanson Trust	11,000	212½	+2	Utd Biscuits	2,000	244½	+8½
Hawker Sidd	684	434xd	-1				

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (154)

AMERICANS (1), CANADIANS (1), BANKS (3), BREWERS (2), BUILDINGS (12), CHEMICALS (3), STORES (8), ELECTRICALS (7), ENGINEERING (7), FOODS (4), INDUSTRIALS (24), INSURANCE (3), LEISURE (9), MOTORS (1), NEWSPAPERS (1), PAPER (10), PROPERTY (12), TEXTILES (3), TRUSTS (36), OILS (4), OVERSEAS TRADERS (2), MINES (1).

NEW LOWS (22)

AMERICANS (3) Bethlehem Steel, Chase Manhattan, Colt Inds., CANADIANS (2) Can. Pac. 4pcDb, Great Pac. Res., BANKS (1) Cater Allen, BREWERS (1) Invergordon Dist., BUILDINGS (1) Tysons (Contractors), STORES (2) Gee (Cecil), Windsmoor, ELECTRICALS (4) AMS Inds., Fletcher Dennys, INSTEM, Northamber, FOODS (1) Cullen's, INDUSTRIALS (3) Airsprung, Dinkie Heel, Hollis 252pcCvLn, PAPER (1) Millward Brown, PROPERTY (1) Slough Estates 12⅞pcLn 2009, TRUSTS (1) Dualvest Inc., OILS (1) Fisherman's Pet.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	9	31
Corporations, Dom. and Foreign Bonds	13	3	33
Industrials	604	404	516
Financial & Properties	199	225	325
Oils	42	10	45
Plantations	1	0	14
Mines	63	54	56
Others	32	120	47
Totals	985	784	1,017

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Monday November 10 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Nov 7 Index No.	Thur Nov 6 Index No.	Wed Nov 5 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	684.14	-0.1	8.89	3.75	14.28	16.17	685.12	675.75	667.45	563.09
2 Building Materials (27)	847.37	-0.2	8.44	3.48	14.94	17.54	848.93	834.33	818.68	633.43
3 Contracting, Construction (30)	1163.76	-0.5	7.50	3.98	18.34	32.56	1169.44	1138.29	1121.86	948.18
4 Electricals (12)	[illegible]	+0.6	8.15	4.65	15.87	53.27	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	1471.34	-0.3	6.89	2.77	19.81	29.90	1475.40	1460.52	1435.15	1308.94
6 Mechanical Engineering (60)	377.72	+0.3	10.46	4.37	12.19	10.42	376.49	372.24	371.14	329.21
8 Metals and Metal Forming (7)	343.67	-0.4	9.29	4.10	13.55	9.53	344.99	341.71	336.31	256.64
9 Motors (16)	261.76	-0.3	10.07	4.01	11.52	5.72	262.65	260.25	257.43	200.83
10 Other Industrial Materials (21)	1244.94	-0.2	7.17	4.34	16.53	30.19	1247.59	1237.42	1228.98	1025.54
21 CONSUMER GROUP (185)	950.49	-0.1	7.95	3.27	15.80	18.47	951.89	944.38	941.85	772.49
22 Brewers and Distillers (22)	961.54	—	9.13	3.34	13.47	14.91	961.56	954.40	941.97	789.04
25 Food Manufacturing (24)	732.00	+0.8	9.18	3.75	14.36	14.99	726.09	717.14	713.08	546.41
26 Food Retailing (16)	1896.33	+0.6	6.39	2.75	21.76	30.54	1884.47	1877.95	1866.04	1379.53
27 Health and Household Products (10)	1533.46	-0.6	6.33	2.47	19.06	21.37	1542.96	1530.77	1534.52	1156.10
29 Leisure (27)	978.31	+0.6	7.57	4.17	17.51	25.08	972.33	960.95	946.06	756.13
31 Publishing & Printing (15)	2509.55	-0.3	7.65	4.37	16.77	73.96	2517.28	2495.85	2477.98	1874.13
32 Packaging and Paper (14)	468.03	-0.1	7.21	3.52	18.02	10.54	468.43	474.38	476.20	368.79
34 Stores (38)	877.79	-0.7	7.02	2.99	19.35	16.10	884.40	872.03	875.84	796.88
35 Textiles (17)	556.88	+1.3	9.18	3.54	12.60	10.57	549.47	547.66	540.61	359.69
36 Tobaccos (2)	1325.16	-1.4	12.47	3.90	8.81	36.99	1344.48	1344.48	1360.33	813.83
41 OTHER GROUPS (87)	797.61	-0.6	8.44	4.01	15.28	17.50	802.36	793.89	786.14	718.43
42 Chemicals (20)	985.33	-0.2	8.92	4.39	13.63	29.15	987.33	989.77	990.41	711.50
43 Office Equipment (4)	260.36	+0.2	7.73	4.43	15.64	11.45	259.85	258.45	259.25	223.51
44 Shipping and Transport (13)	1575.83	+0.5	7.63	4.28	16.75	44.57	1568.29	1561.80	1560.54	1357.47
45 Telephone Networks (2)	781.40	-2.2	10.97	4.71	12.45	16.67	798.80	776.30	762.13	902.71
46 Miscellaneous (48)	1161.09	+0.4	5.92	2.98	21.21	14.07	1137.64	1157.58	1118.61	898.79
49 INDUSTRIAL GROUP(483)	850.59	-0.2	8.30	3.57	15.27	17.91	852.64	844.15	838.48	703.86
51 Oil & Gas (17)	1421.13	—	11.49	6.30	10.72	62.83	1421.05	1418.88	1445.19	1186.04
59 500 SHARE INDEX(500)	898.78	-0.2	8.68	3.89	14.54	21.45	900.69	892.62	889.32	744.81
61 FINANCIAL GROUP (118)	611.05	-0.4	—	4.64	—	17.46	613.68	610.89	610.43	532.84
62 Banks (8)	667.06	-0.7	18.88	5.49	7.27	23.94	671.93	672.97	673.33	541.23
65 Insurance (Life) (9)	853.02	-0.8	—	4.56	—	27.29	860.13	848.46	835.13	815.56
66 Insurance (Composite) (7)	467.46	-0.8	—	4.64	—	15.49	471.19	466.51	466.53	415.12
67 Insurance (Brokers) (9)	1289.25	—	7.42	4.02	17.56	35.33	1288.95	1278.89	1276.86	1187.20
68 Merchant Banks (12)	343.57	+0.4	—	4.18	—	6.37	342.11	342.55	343.02	298.23
69 Property (49)	797.13	+0.1	5.67	3.55	23.17	15.17	796.26	791.90	790.70	695.78
70 Other Financial (24)	352.90	-0.1	9.12	4.52	13.39	9.06	352.63	352.56	353.67	308.51
71 Investment Trusts (98)	828.15	+0.2	—	2.74	—	14.22	826.56	825.86	822.60	642.21
81 Mining Finance (2)	337.02	-0.4	9.32	4.76	12.61	13.30	338.52	336.69	334.62	259.39
91 Overseas Traders (13)	765.51	-0.1	10.08	5.75	11.84	29.17	766.12	759.23	756.69	573.33
99 ALL-SHARE INDEX (731)	820.36	-0.2	—	3.99	—	20.12	822.25	815.79	813.16	682.12

	Index No.	Day's Change	Day's High	Day's Low	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Year ago
FT-SE 100 SHARE INDEX ♦	1656.2	-6.4	1664.4	1649.0	1662.6	1648.5	1644.1	1637.7	1639.2	1405.1

FIXED INTEREST

PRICE INDICES	Mon Nov 10	Day's change %	Fri Nov 7	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.59	-0.03	118.71	0.08	10.31
2 5-15 years	129.82	+0.05	129.76	—	11.61
3 Over 15 years	135.49	+0.19	135.44	—	11.83
4 Irredeemables	146.95	-0.09	147.09	—	13.34
5 All stocks	128.14	+0.04	128.11	0.03	11.33
Index-Linked					
6 5 years	113.51	-0.03	113.54	—	2.00
7 Over 5 years	110.50	-0.19	110.71	—	2.42
8 All stocks	110.95	-0.16	111.13	—	2.49
9 Debentures & Loans	111.52	+0.02	111.50	0.40	10.25
10 Preference	79.26	+0.26	79.72	0.67	6.07

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 10	Fri Nov 7	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.81	9.81	10.03
2	15 years	10.39	10.39	10.38
3	25 years	10.39	10.39	10.31
4 Medium	5 years	10.88	10.89	[illegible]
5 Coupons	15 years	10.70	10.72	10.65
6	25 years	10.57	10.58	10.42
7 High	5 years	10.93	10.94	[illegible]
8 Coupons	15 years	10.87	10.89	10.60
9	25 years	10.69	10.70	10.49
10 Irredeemables		10.17	10.15	9.86
Index-Linked				
11 Inflat'n rate 5%	5 yrs	4.33	4.30	0.0
12 Inflat'n rate 5%	Over 5 yrs	3.83	3.81	0.0
13 Inflat'n rate 10%	5 yrs	2.97	2.93	0.0
14 Inflat'n rate 10%	Over 5 yrs	3.67	3.66	0.0
15 Debs &	5 years	11.60	11.54	11.33
16 Loans	15 years	11.54	11.47	11.33
17	25 years	11.47	11.41	11.33
18 Preference		11.59	11.55	11.82

♦ Opening index 1664.4; 10 am 1653.6; 11 am 1653.8; Noon 1658.2; 1 pm 1658.3; 2 pm 1659.0; 3 pm 1660.0; 3.30 pm 1658.1; 4 pm 1657.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option	Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*312)	[illegible]					
B.P. (*689)	[illegible]					
Cons. Gold (*664)	[illegible]					
Courtaulds (*323)	[illegible]					
Com. Union (*284)	[illegible]					
Cable & Wire (*300)	[illegible]					
G.E.C. (*178)	[illegible]					
Grand Met. (*434)	[illegible]					
I.C.I. (*1067)	[illegible]					
Land Securities (*338)	[illegible]					
Marks & Spen. (*196)	[illegible]					
Shell Trans. (*941)	[illegible]					
Trafalgar House (*283)	[illegible]					
TSB (*81)	[illegible]					

Option	Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*568)	[illegible]					
P. & O. (*524)	[illegible]					
Racal (*229)	[illegible]					
R.T.Z. (*690)	[illegible]					
Vaal Reefs (*$80)	[illegible]					
Tr. 11¾% 1991 (*£102)	[illegible]					
Tr. 11¾% 03/07 (*£109)	[illegible]					
Lonrho (*250)	[illegible]					
Brit Aero (*484)	[illegible]					
BAT Inds (*477)	[illegible]					
Barclays (*479)	[illegible]					
Brit. Telecom (*200)	[illegible]					
Cadbury Schweppes (*188)	[illegible]					
Guinness (*349)	[illegible]					
Imperial Gr. (*393)	[illegible]					
Ladbroke (*378)	[illegible]					
LASMO (*148)	[illegible]					

Option	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Beecham (*441)	[illegible]					
Boots (*258)	[illegible]					
BTR (*295)	[illegible]					
Bass (*714)	[illegible]					
Blue Circle (*636)	[illegible]					
De Beers (*$7.60)	[illegible]					
Dixons (*347)	[illegible]					
GKN (*254)	[illegible]					
Glaxo (*925)	[illegible]					
Hanson (*215)	[illegible]					
Jaguar (*537)	[illegible]					
Tesco (*402)	[illegible]					
Thorn EMI (*491)	[illegible]					

Option	Nov.	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
FT-SE Index (*1658)	[illegible]							

November 10. Total Contracts 33,842. Calls 23,496. Puts 10,346. FT-SE Index Calls 859. Puts 489.
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series	[illegible]
GOLD C, GOLD P, SILVER C, $/FL C, $/FL P, ABN C, AEGN C, AH C, AKZO C, AMEV C, AMRO C, GIST C, HEIN C, HOOG C, KLM C, NATN C, NEDL C, PHIL C, RD C, UNIL C and P series	[illegible]

TOTAL VOLUME IN CONTRACTS: 31,283

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

Nov. 10	Price Sch'	+ or —
Credit'nat'lt pp	3,210	—30
Goesser	3,850	+20
Interunfall	13,200	—100
Jungbunzlauer	14,300	+300
Laenderbank	2,210	—10
Perimooser	525	....
Steyr Daimler	158	....
Veitscher Mag	11,010	+10

BELGIUM/LUXEMBOURG

Nov. 10	Price Frs.	+ or —
B.B.L.	3,040	—10
Banq. Gen. Lux.	16,300	....
Banq. Int. A.Lux.	15,150	....
Bekaert	10,800	+400
Ciment CBR	3,860	—60
Cockerill	149	+1
Delhaize	2,900	....
EBES	4,730	—20
Electrobel	14,925	....
Fabrique Nat	2,000	+5
GB Inno BM	6,590	+90
GBL (Brux)	3,850	....
Generale Bank	5,810	....
Gevaert	6,200	+100
Hoboken	7,750	—70
Intercom	3,800	+20
Kredietbank	16,125	....
Pan Hldgs.	10,900	—75
Petrofina	9,620	+160
Royale Belge	29,150	....
Soc. Gen. Belge	3,310	+15
Sofina	11,400	+200
Solvay	8,190	+70
Stanwick Intl	250	....
Tractionel	6,480	....
UCB	8,950	—50
Wagons Lits	5,670	+30

DENMARK

Nov. 10	Price Knr %	+ or —
Baltica Skand	625	—5
Cop Handels'nk	240	—6
D. Sukkerfab	352	—10
Danske Bank	268	—4
East Asiatic	161	—6
Forenede Brygg.	1,000	10
GNT Hld	325	....
I.S.S.B	690	—20
Jyske Bank	470	—10
Novo Inds*	241	....
Privatbanken	229	—6
Superfos	123	+4

FINLAND

Nov. 10	Price Mks	+ or —
Amer	179.6	—1
KOP	46.85	—0.10
Kone	303.0	....
Finnish Sugar	92.45	....
Nokia	140.0	—4
Pohjola "B"	85.30	....
Rauma-Repola	17.75	....
Stockmann "B"	140	+2
UBF "C"	30.55	....
Wartsila (S11)	169	+1

NETHERLAND

Nov. 10	Price Fls	+ or —
ACF Holding	68	....
AEGON	95	+1
Ahold	108.7	....
AKZO	160	—0.2
ABN	552	....
AMEV	76.1	—0.4
AMRO	98	—0.3
Bredero Cert	130	+2.5
Bos Kalis Westm	10	—0.2
Buehrmann Tet.	221	+3
Calland Holdings	19.6	....
Dordtsche Pet'm	192.7	—1.3
Elsevier-NDU	239	—1.5
Fokker	65.8	—0.2
Gist Brocades	48.4	+1
Heineken	171.2	+3.3
Hoogovens	53.2	—0.2
Huntr Doug NN	60.7	+0.7
Int. Mueller	85.5	—0.8
[illegible]	[illegible]	[illegible]

GERMANY

Nov. 10	Price Dm.	+ or —
AEG	311	—0.8
Allianz Vers	2,266	—7
BASF	277	—1.3
Bayer	306	—1.5
Bayer-Hypo	563	—5.9
Bayer-Verein	525	+2
BHF-Bank	518	+4
BMW	578	+1
Brown Boveri	301	+1
Commerzbank	312	+1
Cont'l Gummi	331.5	—1.5
Daimler-Benz	1,284	—8
Degussa	484	—0.6
D'sche Babcock	210	+2.5
Deutsche Bank	786	—3.8
Dresdner Bank	403.5	—0.7
Feld-Muehle Nbl	291	+2.5
Henkel	475	—2
Hochtief	1,197	—3
Hoechst	261.5	—2.5
Hoesch werke	125.5	—1.0
Holzmann (P)	583	—5
Horten	260.5	—0.7
Hussel	611	—2
Karstadt	464	—4.5
Kaufhof	530.1	—5.1
KHD	187	+1
Kloeckner	72.4	+0.9
Linde	791.5	—6.5
Lufthansa	170	—5
MAN	241	+2.5
Mannesmann	189.5	....
Mercedes Hld.	1,164	—1
Metallgesell	522	+2
Muench Rueck	2,580	+30
Nixdorf	708	+3
Porsche	1,010	+15
Preussag	201	—3
Rhein West Elect	239	+2.5
Rosenthal	409	—3
Schering	630	....
Siemens	701.5	—2
Thyssen	145	—2.5
Varta	370	....
Veba	280.5	—3
V.E.W.	153	+0.5
Verein-West	476	....
Volkswagen	463	—11

ITALY

Nov. 10	Price Lira	+ or —
Banco Com'le	25,100	—400
Bastogi-IRBS	730	—26
Centrale	3,370	....
C.I.R.	7,855	—35
Credito Italiano	3,395	—40
Fiat	15,500	—250
General Assicur.	136,508	—800
Italcementi	75,800	—1500
La Rinascenten	1,010	—30
Montedison	3,050	—80
Olivetti	14,830	—169
Pirelli Co	7,370	—30
Pirelli Spa	5,220	—90
Saipem	4,455	—45
Snia BPD	5,050	—55
Toro Assic	33,050	—1250

FRANCE

Nov. 10	Price Frs.	+ or —
Emprunt 4½% 1975	1,638	+8
Emprunt 7% 1973	9,070	—50
Accor	450	+1
Air Liquide	674	+4
BIC	622	—2
Bongrain	2,250	+20
Bouygues	1,255	—5
BSN Gervais	4,290	—30
CIT Alcatel	3,140	+49
Carrefour	3,551	—64
Club Mediter'n	605	—11
Cie Bancaire	1,064	—1
Cofimeg	406	—1.9
Damart	2,135	—20
Darty	4,200	+27
Dumez S.A.	1,800	+1
Eaux (Cie Gen)	1,179	—149
Elf Aquitaine	314	+0.7
Essilor	3,280	+20
Gen.Occidentale	980	—10
Imetal	59.1	—1
Lafarge Coppee	1,301	—18
L'Oreal	3,730	+42
Legrand	4,900	+5
[illegible]	[illegible]	[illegible]

NORWAY

Nov. 10	Price Kroner	+ or —
Bergens Bank	204	+5
Borregaad	355	....
Christiana Bank	229	+13
Den Norke Cred.	183	+4.5
Elkem	99	—3
Kosmos	147.5	—1
Kvaerner	182.5	+3.5
Norcem	127	—2.5
Norsk Data	215	....
Norsk Hydro	145	....
Storebrand	311	+4

SPAIN

Nov. 10	Price Pta %	+ or —
Bco Bilbao	1,100	....
Bco Central	850	—5
Bco Exterior	365	—10
Bco Hispano	460	+20
Bco Popular	1,175	—25
Bco Santander	859	—1
Bco Vizcaya	1,350	....
Dragados	388	—11
Hidrola	107.7	+1
Iberduero	149.7	+2.5
Petroleos	313	—15.5
Telefonica	160	—3

SWEDEN

Nov. 10	Price Kroner	+ or —
AGA	218	+7
Alfa-Laval B	302	+7
ASEA (Free)	370	—2
Astr (Free)	580	+17
Atlas Copco	219	+2
BeijerA.B.	193	....
Cardo (Free)	200	....
Cellulosa	287	+2
Electrolux B	344	....
EricssonB.	243	—1
Esselte	159	+5
Mo och Domsjo	290	+4
Pharmacia	205	+1
Saab Scania Free	730	....
Sandvik	173	—3
Skandia	148	+2
Skan Enskilda	140	....
SKF	370	+2
StoraKopparbrg.	305	—1
Sven. Handlsbk	475	+3
Swedish Match	468	—2
Volvo B (Free)	387	—3

SWITZERLAND

Nov. 10	Price Frs.	+ or —
[illegible]	[illegible]	[illegible]

AUSTRALIA

Nov. 10	Price Aust. $	+ or —
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

Nov. 10	Price Aust. $	+ or —
Gen. Prop. Trust	2.75	+0.15
Hardie (James)	3.85	....
Hartogen Energy	2.45	....
Herald W'yTimes	7.66	....
ICI Aust	2.6	....
Industrial Equity	6.54xr	—0.02
Jimberlana F.P.	0.38	+0.01
Kia Ora Gold	0.65	+0.04
Kidston Gold	8.14	+0.08
Land Lease	10.45	+0.05
MIM	2.5	—0.02
Mayne Nickless	3.3	+0.03
Nat. Aust. Bank	5.5	—0.12
News	35.5	....
Nicholas Kiwi	3.80	....
Noranda (P.P/pd)	2	—0.05
North Broken Hill	2.72	+0.07
Oakbridge	0.74	—0.01
Pacific Dunlop	3.6	—0.02
Pancontinental	2.9	+0.01
Pioneer Conc	3.15	+0.05
Placer Pacific	2.8	—0.02
Poseidon	3.2	—0.05
Queensland Coal	1.75	+0.01
Reckitt & Colman	6.36	....
Repco	2.35	....
Santos	4.35	+0.05
Smith Howard	4.75	+0.05
Thos. Natwide	3.85	+0.05
Tooth	6.16	+0.15
Vamgas	2.7	....
Western Mining	4.75	—0.07
Westpac Bank	4.72	+0.04
Woodside Petrol.	1.1	—0.02
Woolworths	3.8	....
Wormald Intl	4.4	+0.1

HONG KONG

Nov. 10	Price H.K.$	+ or —
Bank East Asia	20.1	+0.3
Cathay Pacific	5.4	—0.05
Cheung Kong	31	—0.5
China Light	19.8	—0.1
Evergo	0.55	—0.01
Hang Seng Bank	34	—0.25
Henderson Land	3.52	....
HK China Gas	17.9	—0.3
HK Electric	9.95	....
HK Kowloon Wh.	8.25	+0.05
HK Land	5.7	—0.05
HK Shanghai Bk.	7.95	+0.05
HK Telephone	14.4	—0.2
Hutchinson Wpa.	41.5	—0.25
Jardine Math.	18.9	—0.4
New World Dev.	8.4	—0.2
SHK Props	19.4	—0.2
Shell Elect	0.82	—0.01
Swire Pac A	16.5	—0.1
TV—B	8.7	....
Winsor Inds	8.7	—0.1
World Int. Hldgs.	3.1	+0.03

JAPAN

Nov. 10	Price Yen	+ or —
Ajinomoto	1,710	+10
All Nippon Air	898	—2
Alps Electric	1,950	—20
Asahi Chem	775	+36
Asahi Glass	1,260	....
Bank Tokyo	826	—8
Bridgestone	636	—24
Brother Inds	669	+4
Canon	1,030	—20
Casio Comp	1,440	+20
Chugai Pharm	1,190	+50
Daiei	1,220	....
Dai-Ichi Kan. Bk.	1,660	+10
Dai Nippon Ink	465	+15
Dai Nippon Ptg	1,710	+10
Daiwa House	1,720	+10
Daiwa Sec	1,590	+40
Eisai	1,750	+100
Fanuc	6,280	—60
Fuji Bank	1,670	....
Fuji Film	3,070	—10
Fujisawa	1,290	+60
Fujitsu	991	—19
F'urukawa Elect.	485	+5
Green Cross	2,550	+50
Heiwa Real Est	970	+9
Hitachi	953	+2
Hitachi Credit	1,530	—60
Honda	1,230	....
Indl. Bk. Japan	1,870	+40
Ishikawajima Hr.	431	—10
Isuzu Motor	360	+9
Itoh (C)	720	—5
Ito Yokado	3,900	+10
Jal	9,500	+440
Jusco	1,450	—50
Kajima	1,200	+10
Kao Corp	1,500	+20
Kawasaki Steel	176	—8
Kirin	1,360	+20
Ko Steelbe	156	+6
Komatsu	460	—15
Konishiroku	612	....
Kubota	365	+9
Kumagai	1,080	—10
Kyocera	4,200	....
Marubeni	465	—9
Marui	2,580	—20
Madza Motors	380	+10
Meija Seika	789	+3
MIE	1,760	—10
M'bishi Bank	1,630	—10
M'bishi Chem	674	+9
M'bishi Corp	1,000	....
M'bishi Elect	410	—2
M'bishi Estate	2,190	....

JAPAN (continued)

Nov. 10	Price Yen	+ or —
MHI	450	—18
Mitsui Bank	1,070	....
Mitsui Co	538	+1
Mitsui Estate	1,680	—20
Mitsui Toatsu	306	—4
Mitsukoshi	1,100	+30
NGK Insulators	880	—10
Nikko Sec	1,410	+30
Nippon Denso	1,520	+20
Nippon Elect	1,900	—30
Nippon Express	1,030	+10
Nippon Gakki	1,570	—30
Nippon Kogaku	885	+6
Nippon Kokan	225	—13
Nippon Oil	1,090	....
Nippon Seiko	487	+2
Nippon Shimpan	970	+2
Nippon Steel	163	....
Nippon Suisan	446	+1
Nippon Yusen	412	+12
Nissan Motor	540	—1
Nisshin Flour	760	+54
Nomura	2,920	—10
Olympus	1,060	—10
Onoda Cement	499	+5
Orient Finance	950	+20
Orient Leasing	3,520	+50
Pioneer	2,150	—30
Ricoh	920	+5
Sankyo	1,270	+40
Sanwa Bank	1,310	....
Sanyo Elect	385	—2
Sapporo	1,200	+10
Sekisui House	1,620	+20
Seven Eleven	8,200	+100
Sharp	953	—12
Shimizu Constn.	680	—15
Shionogi	1,350	+20
Shiseido	1,920	—10
Showa Denko	318	+1
Sony	3,330	—30
S'tomo Bank	1,850	—10
S'tomo Chem	330	—3
S'tomo Corp	866	+11
S'tomo Elect	1,650	....
S'tomo Metal	142	+2
Taisei Corp	630	—3
Taisho Marine	827	+7
Taiyo Kobe Bank	700	+10
Takeda	2,150	+60
TDK	3,950	—90
Teijin	681	—1
Toa Nenryo	1,520	+60
Tokai Bank	1,040	+10
Tokio Marine	1,510	—10
Tokyo Elect Pwr.	7,800	+10
Tokyo Gas	977	—11
Tokyu Corp	1,040	....
Toppan Print	1,460	....
Toray	560	....
Toshiba Elect	605	+6
Toyo Seikan	1,980	....
Toyota Motor	1,820	+20
UBE Inds	269	—1
Victor	2,790	+10
Yamaha	660	+40
Yamaichi Sec	1,370	—20
Y'manouchi Phm	3,370	+110
Yamazaki	1,460	+20
Yasuda Fire	800	....

SINGAPORE

Nov. 10	Price $	+ or —
Boustead Hldgs.	1.30	—0.08
Gold Storage	3.68	—0.02
DBS	8.95	—0.10
Genting	5.6	—0.2
Haw Par Bros	2.93	—0.13
Hong Leong Fin.	2.88	—0.12
Inchcape Bhd	2.79	—0.09
Keppel Corp	2.59	—0.12
Malay Banking	4.90	—0.25
Malay Utd. Ind	1.43	—0.06
Multi Purpose	0.46	—0.04
OCBC	8.8	—0.2
OUB	3.56	—0.10
Public Bank	1.26	—0.13
Sime Darby	1.76	—0.08
Singapore Air	9.2	—0.2
Singapore Press	8.25	—0.18
Straits Trading	3.70	—0.06
Tat Lee Bank	3.00	—0.10
UOB	4.52	—0.14

SOUTH AFRICA

Nov. 10	Price Rand	+ or —
Abercom	2.7	....
AE & CI	15	+0.25
Allied Tech	85	....
Anglo Am. Coal	35	+0.5
Anglo Am. Corp.	69.75	—0.75
Anglo Am. Gold	344	....
Barclays Bank	23	....
Barlow Rand	21.5	—0.55
Buffels	86	+0.5
CNA Gallo	3	....
Currie Finance	4.6	+0.1
De Beers	34.85	—0.40
Dreifontein	72.75	+0.25
F. S. Cons	52.5	....
Gold Fields S.A.	60.5	+0.5
Highveld Steel	6	—0.25
Malcor	14.8	—0.3
Nedbank	6.95	+0.5
OK Bazaars	18.5	....
Rembrandt	78.75	—0.25
Rust Plat	50.5	—0.25
Safren	17.25	+0.25
Sage Holdings	9.65	—0.05
SA Brews	16.25	—0.25
Smith (CG)	32.5	+0.25
Tongaat Huletts	7.6	+0.35

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices November 10

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 10

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales [illegible] shares

Indices

	Nov. 10	Nov. 7	Nov. 6	Nov. 5	1986 High	1986 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK — DOW JONES

	[illegible]
[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NYSE COMPOSITE CLOSING PRICES

Continued from Page 45

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Ass Br Foods	316	+12
Br Car Auction	187	+ 6
Bradstock	405	+20
Bredero Props.	135	+ 4
Brent Walker	220	+18
Brit. Aerospace	484	+ 9
Britoil	184	+ 7
Brookmount	320	+23
Campari Intl.	120	+11
Copson (F.)	62	+ 7
Elec Machine	83	+10
England (J. E.)	109	+ 9
Gent (S. R.)	68	+ 8
Marler Estates	623	+58
Belyon	198	+15
Rentokil	143½	+ 7
Saatchi & S.	645	+20
Southend St.	228	+15
TV-am	226	+11
Valor	290	+10
Victoria Carpets	145	+14
Waddington (J.)	220	+ 5
Wardle Storeys	366	+10
Whitbread A	277	+ 6

FALLS

Cable & W	299	—15
Grainger Trust	605	—40
Heath (C. E.)	500	—11
Lucas Inds	469	—10
Pilkington Br	551	— 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	15	AAR s	.44	1.9	17	28	23¼	23	23¼	+¼
30	21¾	ADT	.92	3.4		262	26¾	26⅜	26¾	+¼
33	13¾	AFG s	.12i	.4	15	232	30	29⅜	29⅝	−¼
25⅜	16¾	AGS			16	174	24	23⅞	24	+⅛
15	7¾	AMCA				15	8⅛	8	8	−¼
62⅛	38¾	AMR			14	2410	59⅞	59¼	59½	−⅝
27½	23¼	ANR pf	2.67	11.		x1	25⅜	25⅜	25⅜	−⅜
16¾	10	ARX	.71t	6.5	10	77	11¼	11	11	−¼
41½	28¾	ASA	2a	5.1		857	39½	38⅞	39¼	+¾
18¾	9¾	AVX		2.6		66	12⅝	12¼	12½	
32	25⅛	AZP	2.72	9.4	9	1147	28⅞	28½	28⅞	+¼
55	28¾	AbtLb s	.84	1.8	21	9510	48¾	45⅛	47⅞	+2½
32	22⅞	AccoWd	.56	2.1	17	58	27¼	27	27¼	
14⅞	9	AcmeC	.40	3.8		30	10⅝	10¼	10⅝	+¼
9¼	6¼	AcmeE	.32b	5.0	16	4	6⅜	6⅜	6⅜	
23⅞	17½	AdaEx	4.45e	21.		150	20¾	20⅜	20¾	+¼
33⅜	18¾	AdmMl	.48	1.8	13	11	27½	27⅜	27⅜	
20⅜	12⅛	AdvSys	1.45t	9.9	13	152	14⅝	14½	14⅝	
32⅞	12⅞	AMD				3738	16⅜	15¾	16¼	+¼
12⅝	5¼	Adobe				182	6¼	5¾	6¼	+½
16⅜	13¾	Adob pf	1.84	12.		45	15½	15⅜	15½	−¼
20¼	16¼	Adob pf	2.40	13.		4	17⅞	17⅞	17⅞	
16⅜	9¼	Advest	.12a	.9	10	123	14⅛	13⅞	13⅞	−¼
66¼	48⅞	AetnLf	2.64	4.8	8	2117	55⅛	54½	55	
56⅜	51½	AetL pf	4.69e	8.9		84	53	52⅝	52⅝	−½
28¾	12	Ahmns s	.46	2.2	7	3297	21¼	20½	21¼	+⅜
5¾	2⅝	Aileen			45	130	3⅜	3⅛	3⅛	
41⅝	27½	AirPrd s	.80	2.2	453	789	36⅜	36	36¼	+⅛
27¾	16	AirbFrt	.60	2.3	18	504	25¾	24¾	25⅜	+⅜
20⅜	19¼	Airlse n				25	19⅝	19½	19½	−⅛
2	¼	AlMoanl	.60c			358	11-32	5-16	5-16	
[illegible]										

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23	17⅝	NevP pf1.74		8.4		z50	20¾	20¾	20¾	+¼
22⅞	17¾	NevP pf1.95		8.9		3	22	22	22	
25½	11	NevSvL .60		2.4	7	x530	25½	25¼	25½	+⅜
35¼	22½	NEngE s1.92		6.3	10	621	30⅝	30⅛	30½	+⅛
33⅞	25	NJRsc 2.32		8.0	21	60	29⅜	28¾	29	−¼
14½	10	NPinR s .80		5.8	19	880	13⅞	13⅝	13⅞	
36½	25	NYSEG2.64		7.8	9	1376	34	33¾	33⅞	
44	32	NYS pf 3.75		9.0		z200	41½	41½	41½	+½
95½	73	NYS pf 8.80		9.3		z200	95	95	95	+1
26	18⅞	NYS pf 2.12		8.4		22	25⅜	25¼	25¼	+⅛
32½	27	NYS pfD3.75		14.		23	27⅞	27⅝	27⅝	−⅛
36¾	20½	Newell .84		3.0	13	107	29⅛	28	28¼	−¾
43¾	27¼	Nwhall s.48a		1.3	18	32	36⅝	35⅝	36	−½
20¼	8¾	Newhll 8a		89.	1	31	9⅛	9	9	−⅜
9½	6⅜	NwhlRs.75e		11.	10	17	6¾	6½	6¾	
17⅞	8⅝	NwmtGn.05e		.3	58	219	16⅝	16¼	16⅜	+⅛
63⅝	41	NwmtM 1		1.6	35	798	62½	62	62⅜	+⅛
48⅝	22¾	NewsLat.10e		.2	21	209	46⅛	45½	45½	+½
25½	15½	NiaMP 2.08		11.	7	1880	18⅞	18½	18⅞	+¼
38¼	28¼	NiaMpf3.40		9.7		z200	35	35	35	
39½	30¼	NiaMpf3.60		9.9		z20	36½	36½	36½	−1½
47	35½	NiaMpf4.10		8.8		z300	46½	46½	46½	+1½
56⅛	41	NiaMpf4.85		9.5		z350	52	51	51	+¾
61	49½	NiaMpf5.25		9.4		z180	56	56	56	+1
26½	20	NiaM pf1.92e		8.8		30	21¾	21¾	21¾	+⅜
89	65½	NiaMpf7.72		9.5		z20	81¼	81¼	81¼	−1¼
16⅞	14⅛	NiagSh3.20e		21.		125	15⅛	14⅞	15⅛	+⅛
20½	12¼	Nicolet .12		.6	11	516	20⅜	19⅜	20¼	+¼
31½	19	NICOR 1.80		6.0		606	30	29¾	30	+⅛

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Enthusiasm lags ahead of holiday

TAKING their cue from quiet pre-Veterans' Day holiday trading in the bonds markets, stock prices edged fractionally higher yesterday on Wall Street, *writes Roderick Oram in New York.*

After being down most of the day, the bond market managed a modest afternoon rally on very low volume which did little to help ease the heavy indigestion of new securities left over from last week's *Treasury auctions.*

Stock markets, which, unlike bond markets, will be open today, saw leaderless and featureless trading as a little of the excitement ebbed temporarily from the takeover arena.

The Dow Jones industrial average closed up 5.76 points at 1,892.29. The New York Stock Exchange Composite index gained 0.21 of a point to 141.71 on trading volume of 102.6m shares, with advancing *issues narrowly overtaking* declining.

Among blue chips AT&T gained $⅛ to $25½, Boeing was unchanged at $52⅝, General Electric rose $¼ to $78¼, Eastman Kodak lost $½ to $62¼ after Siemens of West Germany denied it had *planned a takeover* bid and Sears Roebuck fell $⅛ to $43⅝.

Wickes Companies, up $⅛ to $4¾ on heavy volume, was in the news on two fronts: it agreed to buy fabric and wall-covering maker Collins and Aikman, up $14½ to $52½, for $53 a share; and to buy *a 9.8 per cent stake in Lear Siegler from* AFG Partners which had made a $85-a-share bid for the company. Wickes said it would propose a merger with Lear which rose $1¾ to $92.

Union Carbide was the second most active issue with almost 6m shares changing hands as the price eased $⅛ to $23⅛. GAF, which recently ended its attempted takeover of Union Carbide by reaching a standstill agreement, was believed *to be the seller of a 5m share* block. GAF fell $1 to $41.

Shares in other companies rumoured to be new targets of GAF were actively traded. W. R. Grace rose $¾ to $56⅛, and Borg-Warner rose $2 to $41. Mr Irwin Jacobs, the Minneapolis raider who declared a 6.1 per cent stake in Borg-Warner last month, said he had increased his holding but was not the purchaser of a 565,000-share block yesterday.

USX eased $⅛ to $23⅝. Wall Street believed that the company was close to a *standstill agreement with Mr Carl Icahn* who offered $31 a share for the company two months ago.

Harris gained $2⅜ to $33⅜. The electronics equipment company said it knew no reason for the activity in its stock. Chrysler or some other motor vehicle maker was rumoured to be interested in Harris.

E. F. Hutton fell *$2⅜ to $46. The in*vestment dealer broke off merger talks with American Express at the weekend. American Express gained $⅞ to 59¼.

*Gelco, the transportation leasing com*pany, lost $¼ to $23⅜ after it won a court fight to activate a poison pill defence against a takeover attempt by Coniston Partners, a New York investment group.

Texas Eastern, the energy group, fell $2 to $30½ in exdividend trading. The shares rose $4¼ on Friday after its board approved a restructuring plan including the sale of some of its refining assets. But analysts were cool to the proposals because, for example, the company was burdened by its expensive North Sea oil assets.

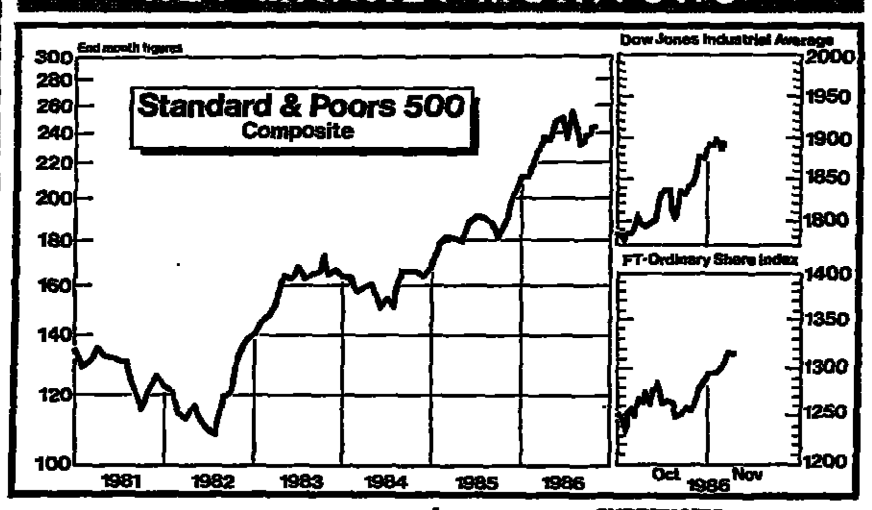
In the credit markets, bond prices strengthened from earlier mixed levels at which shorter maturities were slightly ahead and longer ones modestly down to finish up across the board.

The price of the old 7.25 per cent benchmark long bond due 2016 rose 15/32 of a point to 93³¹⁄₃₂ yielding 7.77 per cent. The new 7.50 per cent benchmark bond due 2016 gained ¹⁵⁄₃₂ *of a point in* the "when issue" market to 98¹⁷⁄₃₂, yield*ing 7.62 per cent.*

Three-month and six-month Treasury *bills* eased three basis points to 5.41 per cent and 5.51 per cent respectively while one-year bills fell seven basis points to 5.57 per cent. The average discount yield on three-month bills at the weekly auction was 5.41 per cent, against 5.23 per cent a week earlier, and on six-month bills it was 5.54 per cent against 5.3 per cent.

The Federal Reserve entered the market to make $1.5bn of customer repur*chases when the Fed funds rate stood* at 5¹⁵⁄₁₆ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,892.29	1,886.53	1,404.38
DJ Transport	844.63	845.0	678.14
DJ Utilities	210.27	209.81	161.93
S&P Composite	246.13	245.77	193.72
LONDON			
FT Ord	1,313.3	1,317.2	1,070.3
FT-SE 100	1,656.2	1,662.6	1,350.1
FT-A All-share	820.36	822.25	682.12
FT-A 500	896.78	900.69	744.81
FT Gold mines	304.2	300.1	255.2
FT-A Long gilt	10.39	10.41	10.51
TOKYO			
Nikkei	17,053.20	16,973.6	12,851.0
Tokyo SE	1,413.66	1,409.18	1,012.83
AUSTRALIA			
All Ord.	1,400.7	1,403.5	1,012.4
Metals & Mins.	706.8	711.2	504.4
AUSTRIA			
Credit Aktien	227.07	227.65	200.46
BELGIUM			
Belgian SE	4,005.43	3,965.15	2,826.06
CANADA			
Toronto			
Metals & Minls	2,143.40	2,131.0	1,639.0
Composite	3,073.60	3,070.0	2,748.3
Montreal			
Portfolio	568.20	1,554.2	133.17
DENMARK			
SE	–	191.64	226.86
FRANCE			
CAC Gen	380.90	379.3	227.7
Ind. Tendance	144.90	144.7	84.2
WEST GERMANY			
FAZ-Aktien	670.27	669.78	590.86
Commerzbank	2,021.70	2,019.1	1,765.0
HONG KONG			
Hang Seng	2,206.76	2,218.38	1,722.38
ITALY			
Banca Comm.	761.29	768.61	411.27
NETHERLANDS			
ANP-CBS Gen	284.80	283.2	230.7
ANP-CBS Ind	286.40	283.0	208.6
NORWAY			
Oslo SE	378.01	379.03	400.53
SINGAPORE			
Straits Times	878.78	894.39	780.27
SOUTH AFRICA			
JSE Golds	—	1,879.0	1,075.6
JSE Industrials	—	1,414.0	931.8
SPAIN			
Madrid SE	183.00	183.21	92.97
SWEDEN			
J & P	2,668.11	2,672.78	1,508.08
SWITZERLAND			
Swiss Bank Ind	564.20	574.0	533.1
WORLD	Nov 7	Previous	Year ago
MS Capital Int'l	339.0	338.6	235.5

COMMODITIES

(London)	Nov 10	Prev
Silver (spot fixing)	401.85p	400.05p
Copper (cash)	£901.50	£910.25
Coffee (Jan)	£2,282.50	£2,378.50
Oil (Brent blend)	$14.80	$14.65

GOLD (per ounce)

	Nov 10	Prev
London	$410.75	$406.75
Zürich	$410.75	$408.75
Paris (fixing)	$412.03	$406.21
Luxembourg	$409.55	$409.25
New York (Dec)	$407.50	$410.6

CURRENCIES

	US DOLLAR		STERLING	
(London)	Nov 10	Previous	Nov 10	Previous
$	–	–	1.4355	1.4260
DM	2.0455	2.0650	2.9375	2.945
Yen	162.75	163.15	233.50	232.50
FFr	6.6875	6.7375	9.60	9.675
SFr	1.6990	1.7200	2.44	2.4575
Guilder	2.3110	2.3330	3.3175	3.3275
Lira	1,414	1,427	2,030	2,035
BFr	42.50	42.90	61.00	61.20
C$	1.3875	1.3885	1.9930	1.9800

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 10	Prev
£	11⅛	11⅛
SFr	4	3¾
DM	4⅝	4⅝
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5¹¹⁄₁₆*	5⅝
US 3-month CDs	5.75*	5.90
US 3-month T-bills	5.40*	5.47

US BONDS

Treasury	November 10* Price	Yield	Prev Price	Yield
6⅝ 1988	[illegible]	6.408	[illegible]	6.272
7¼ 1993	[illegible]	7.234	100	7.18
7¼ 1996	[illegible]	7.407	[illegible]	7.351
7¼ 2016	[illegible]	7.658	[illegible]	7.277

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Nov 10* Return index	Day's change	Yield	Day's change
1–30	156.91	–0.32	7.15	+0.6
1–10	130.27	–0.17	6.82	+0.7
1– 3	141.08	–0.10	6.39	+0.8
3– 5	153.07	–0.20	6.96	+0.7
15–30	180.73	–0.91	8.27	+0.6

Source: Merrill Lynch

Corporate	November 10* Price	Yield	Prev Price	Yield
AT & T				
3⅜ July 1990	92.102	6.35	92.23	6.30
SCBT South Central				
10⅛ Jan 1993	106.75	9.436	107.75	9.313
Phibro-Sal				
8 April 1996	97.50	8.388	98.25	8.269
TRW				
8⅞ March 1996	101.50	8.510	102	8.432
Arco				
9⅝ March 2016	105.50	9.321	107.205	9.157
General Motors				
8⅝ April 2016	89.5	9.16	91	8.99
Citicorp				
9⅝ March 2016	96.75	9.709	98.25	9.561

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	95-22	96-06	95-19	95-10
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.61	94.68	94.60	94.72
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.87	93.89	93.87	93.95
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-21	110-16	109-20	110-12

* Latest available figures

TOKYO

Drug price hopes prove a booster

PHARMACEUTICALS and two recent popular issues attracted buyers in Tokyo yesterday, with the Nikkei average passing the 17,000 level for the first time this month, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei index, registering its third consecutive gain, added 79.56 from last Friday to 17,053.20, but turnover dwindled from last Friday's 584m to 355m shares, reflecting the uncertain market outlook. Advances led declines by 520 to 306, with 126 issues unchanged.

The market moved widely, surging 102 points from last Friday during the morning, slipping 13 points in mid-afternoon and rallying towards the close.

Japan Steel Works topped the active list for the fifth trading day running, with *53.3m shares traded.* It firmed Y25 to Y393 on late buying. The strength was due to investor interest in its factory site redevelopment project.

Other off-the-book asset issues were sought. Meiji Milk Products soared Y34 to Y822 on rumours of a plant site redevelopment while Ebara, with 12.2m shares traded, strengthened Y49 to Y849.

Tokyo Electric Power registered the day's largest contract value. It closed Y10 up at Y7,800 after adding Y90 at one stage. Big securities companies bought the issue on hopes that it would lead the market higher, but some investors were wary of its high price.

Pharmaceuticals were steady almost across the board on small-lot buying sparked by speculation that the Health and Welfare Ministry's review of standard drug prices might be delayed. Takeda Chemical Industries put on Y60 to Y2,150, Yamanouchi Pharmaceutical Y100 to Y3,370 and Eisai Y100 to Y1,750.

Large capital issues were dull. Tokyo Gas, with 12.5m shares traded, slumped Y11 to Y977, Ishiwakajima-Harima Heavy Industries Y10 to Y1,760 and Mitsubishi Heavy Industries Y18 to Y430.

International blue chips also weakened, with NEC *losing* Y20 to Y1,900, Matsushita Electric Industrial Y10 to Y1,760 and Sony Y30 to Y3,330.

Bonds eased after moving narrowly. The yield on the bellwether 6.2 per cent government bond due in July 1995 rose from last Friday's 5.110 to 5.125 per cent, reflecting a plunge in US long-term Treasury bonds last Friday.

However, dealers said the rise was smaller than expected mainly because life insurance companies and trust and city banks had begun to show interest in higher-yield long-term issues due to the Bank of Japan's policy of guiding short-term interest rates lower. This left dealers reluctant to sell.

HONG KONG

THE WEAKER trend *persisted* in quiet trading in Hong Kong, with many investors holding fire amid speculation about a possible transaction involving the companies controlled by property magnate Mr Li Ka-shing.

The Hang Seng index lost 11.62 to close at *2,206.76 on turnover down* HK$109m from Friday to HK$447.

News of a bond issue by Cheung Kong and Hutchison Whampoa brought a mixed response from the market amid rumours that they might be planning a big investment overseas.

Hutchison was steady at HK$41.50 and Cheung Kong was also unchanged at HK$31.

EUROPE

Zurich hit by pollution worries

WORRIES, about the consequences of the Sandoz plant's pollution of the Rhine took their toll on Zürich yesterday, and the Swiss Bank Industrial index slipped 11.3 to 564.2.

Elsewhere in Europe, bourses closed generally lower as uncertainty continued over world and domestic interest rates. Local factors also affected trading.

Zurich's domestic stocks came under renewed selling pressure in the wake of the Rhine pollution, with Sandoz leading *the downturn. Its bearer shares shed* SFr 910 to SFr 9,950 after losing SFr 625 *on Friday.*

Other chemicals fell in sympathy though not as dramatically. Ciba Geigy lost SFr 50 to SFr 3,425, above its day's low of SFr 3,225 early in the session, and Hoffmann-La Roche fell SFr 275 to SFr 11,200.

Elsewhere, financials followed the lower trend, with Union Bank SFr 70 lower at SFr 5,850 and Swiss Bank down SFr 2 at SFr 531. Swiss Re lost SFr 175 *to SFr 18,475 and Örlikon Bührle* SFr 45 at SFr 1,585.

Brussels continued to set a contrary course with another strong rally amid hopes of tax incentives for share investment through a planned pensions savings scheme.

Financials benefited from the bout of confidence with financial holding group Sofina adding BFr 200 to BFr 11,400. Société Générale de Belgique rose BFr 15 to BFr 3,210. Gevaert *added* BFr 100 to BFr 6,200.

Oil group Petrofina rose BFr 160 to BFr 9,620. It said it planned to defend its interest in London-based energy concern IC Gas which is expecting a bid from Gulf Resources of the US.

Among industrials Solvay was BFr 70 higher at BFr 8,190 while Wagons Lits travel group rose BFr 30 to BFr 5,700.

Frankfurt closed mixed with a dearth *of both buyers and sellers. Reaction* was muted to the results of Sunday's Hamburg state elections which saw gains for the ruling Christian Democrats. The Commerzbank index, fixed at mid-session, added 2.60 to close at 2,021.70.

Car makers closed mixed with the trend. BMW added DM 1 to DM 578 while VW slipped DM 11 to 453 and *Daimler, after a DM 11 gain on Friday,* eased DM 2 to DM 1,284.

Among chemicals Bayer fell DM 1.50 to DM 306 and Hoechst DM 2.50 to DM 261.50. Banks failed to sustain early strength leaving Deutsche DM 3.80 lower at the close at DM 786 and Dresdner 70 pfennigs *own at DM 403.50.* Commerzbank, however, added DM 1 to DM 312.

In the bond market long-dated maturities lost as much as 60 basis points. In *its daily market-balancing operation* the Bundesbank bought DM 10m worth of domestic paper after *selling DM 14.1m* on Friday.

Stockholm eased back from its record on Friday. Uncertainty over domestic and US interest rates largely dampened sentiment.

Losses were recorded by Pharmacia, *down* SKr 4 to SKr 201, Ericsson, SKr 5 to SKr 238 and Stora, SKr 8 to SKr 300. Volvo, in contrast, added SKr 2 *to* SKr 385 after slipping SKr 3 during Friday's record-breaking run.

Amsterdam was taken lower by profit-taking amid dull trading. Enthusiasm which was evident last week was dampened as hopes waned of lower interest rates.

Among internationals Unilever, expected to announce improved third-quarter results today, added Fl 4.50 to Fl 502.50. However, Akzo lost 20 cents to Fl 160, Royal Dutch Fl 1.80 to Fl 206 and *Philips 20 cents to Fl 44.90.*

Paris, like Brussels, went against the lower trend in Europe, with shares closing marginally higher after selective buying interest emerged late in the session.

Retail issues, which had fallen on Friday, saw good gains including Nouvelles Galeries which closed FFr 29 higher at FFr 530.

Oslo was boosted strongly by banks sought by foreign *investors* before the foreign ownership quotas were filled. Bergen Bank added NKr 5 to NKr 204 and Christiana NKr 1.3 to NKr 229.

Milan fell marginally as profit-taking set in. Fiat shed L250 to L15,500, Olivetti lost L169 to L14,630 and Montedison fell L80 to L3,050.

Madrid also eased although utility stocks recorded some gains.

SOUTH AFRICA

GOLDS closed mixed to higher in Johannesburg under the contrasting influences of the higher bullion price and the firmer financial rand.

Buffels rose 50 cents to R86, Driefontein 25 cents to R72.25 and Gold Fields 50 cents to R60.50.

Among mining financials Anglo American slipped 25 cents to R69.75. Rustenburg Platinum firmed 25 cents to R50.50 while diamond share De Beers lost 40 cents to R34.85.

CANADA

WEAKNESS among industrials and utilities weighed down Toronto despite firmer gold, oil and gas shares.

Higher oils included Imperial Class A *which traded C$¾ higher at C$47¾* while gold share Lac Minerals was C$⅛ up at C$29⅞.

In Montreal all sectors traded largely unchanged.

LONDON

Gilts suffer as inflation fears revive

GILTS gave ground in London yesterday as inflation worries resurfaced over the Government's plans for higher public spending. The gilt-edged market had been unsettled from the start by Friday's weakness in the US federal bond sector.

Long-dated securities fell ½ point while the shorter end closed with losses of about ¼ point *after failing to hold* steady on firm sterling.

The weakness in bonds reversed an initial improvement in the equity market, and share prices, with the exception of buoyant oils, turned easier in thin trading. The FT-SE 100 index fell 6.4 to 1,656.2, and the FT Ordinary index closed 3.9 lower at 1,313.3.

Continued optimism over oil prices brought active trading in the oil leaders. The best spot was Britoil, up 7p to 164p on 5.5m shares traded.

Other bright features included Saatchi & Saatchi, which announced a key personnel *appointment following a* recent spate of defections. It rose 20p to 645p.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

AUSTRALIA

THE RECORD-BREAKING run of last week carried over into early trading in Sydney, *pushing* the All Ordinaries index to another high of 1,405.5 before it fell back on lower golds and profit-taking in industrials. The index ended 2.8 down from Friday at 1,400.6.

Golds saw Poseidon and Placer Pacific both down 10 cents to A$5.10 and A$2.70, respectively. Diversified resource stocks were aso lower, with BHP off 6 cents to A$8.25.

Elders topped the active industrial *stocks, easing 3 cents to A$4.17* with almost 2m shares changing hands.

SINGAPORE

A BROAD decline in Singapore took the Straits Times industrial index down for the fifth consecutive trading day. The index ended 15.61 lower at 878.78 – on turnover of 19.2m compared with Friday's 26m.

Sentiment was depressed by the receivership of the Duta property company, and Malayian stocks were also jittery over the political situation there.

Malaysian Banking dropped 35 cents to S$4.90 while Genting dipped 20 cents to S$5.60